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Annual Report for 2022

The Phoenix Holdings Ltd.



Table of Contents

Letter from the Chairman of the Board

Part 1 **Description of the Corporation's Business**

Part 2 **Report of the Board of Directors
on the State of the Company's Affairs**

Part 3 **Consolidated Financial Statements**

Part 4 **Separate Financial Information**

Part 5 **Additional Details About the Corporation
Corporate Governance Questionnaire**

Part 6 **Report and Statements regarding the
Internal Controls over Financial Reporting
and Disclosure**

Part 7 **Appendices relating to The Phoenix
Insurance Company Ltd.**



Members of the Board



Benjamin Gabbay - Chairman



Ben Langworthy



Dr. Ehud Shapira (Independent Director)



Eliezer Yones



Rachel Levine (External Director)



Richard Kaplan (External Director)



Roger Abravanel



Stella Amar Cohen



Itzhak Shukri Cohen



March 22, 2023

Chairman Letter to Shareholders

Benjamin Gabbay

In 2022, Phoenix Holdings continued to enhance its position as Israel's leading financial group. While coping with a challenging economic environment, the Phoenix continued to implement its value creation strategy by focusing on four core businesses: insurance, asset management, distribution, and credit. The Group continues to realize its ambitious goals while creating additional value from non-insurance activities that improve the Group's profitability and facilitate consistent dividend distributions and maximize shareholder value.

During 2022, Israel's economy faced global macroeconomic changes, including increased interest rates, capital markets volatility, increased inflation, and possible global recessionary indicators. The Group focused on responsible risk management and continued strategic execution while navigating and overcoming challenges. The financial results of Phoenix Holdings highlight that even in the face of a challenging economic environment the Group stands out in its sound and responsible management. This is reflected in its financial resilience, capital position, and liquidity, which provide competitive advantage and strong backing for the Group strategy.

The Phoenix's position as a market leader is the result of an ambitious strategic plan approved by the board of directors and implemented in a systematic and successful manner by the Group's management led by Eyal Ben Simon. An analysis of the Group's activities using clear benchmarks, a focus on growth in activities with a high return on equity, and active portfolio management coupled with the establishment of a 12-15% return on equity target created cohesion and shared responsibility on meeting targets among the Group's employees and managers. The realization of the strategic plan is evident in the profit recorded by the Company in 2022 - NIS 1,124 million with a 11.4% return on equity.

This is an achievement shared by the Group's customers, insurance agents and financial consultants, who are keenly aware of The Phoenix's investment in technology and advanced data capabilities out of a desire and commitment to continuously improve its offering to customers, making the customer experience accessible, efficient, secure and the most advanced of its kind. In this spirit, the Group decided to brand most of its activities under the "Phoenix" brand, including Phoenix Investment House (formerly Excellence), understanding that clients value the brand's reputation, commitment to service, and financial strength.

As part of this market leadership and strategic execution, in the past year we also implemented the Group's ESG (environment, society, and governance) strategy, as detailed in the Group's first ESG Report published in June 2022. Following the publication, the Group's Maala rating was upgraded to Platinum, the highest level. As a business, it is both our duty and privilege to advance international conventions on sustainability and governance and to strive for a more just society that is committed to future generations. The dedication of the Group's employees and managers to these issues is an important achievement.

In late 2022, leading investors from the UAE expressed an interest in investing in the Group, a transaction that is subject to business and regulatory approval processes. Their selection of the Phoenix is a significant vote of confidence in the Group and its management, as well as in the Israeli economy. It is also an indication of the significance of the Abraham Accords and their potential positive impact on Israel's economy.

Phoenix Holdings will continue to pursue value creation across our businesses, and at the beginning of 2023 I am happy to determine that the Phoenix is stronger than ever and well positioned for continued growth and capturing opportunities.

Before I conclude, I would like to address the controversy we face in Israeli society around proposed legal reforms. The effects of this debate are evident in every facet of Israeli society and economy. This issue must be resolved through agreement and compromise. I hope that the unifying forces will prevail and that the right way to move forward will be found, for the resilience of Israeli society and economy and for the State of Israel.

On behalf of all the members of the Board of Directors, I would like to thank the employees and management of the Phoenix group for their achievements in the past year and for the joint effort to continue leading the Group to further achievements.

Benjamin Gabbay

Chairman of the Board of Directors

Part 1

Description of the Corporation's Business

This English translation from the Hebrew version of the report has been made for convenience and information purposes only. In case of any conflict or discrepancy between the terms of this English translation and the original version prepared in Hebrew, the Hebrew version shall prevail. The Company makes no representations as to the accuracy and reliability of the financial information in this English translation.

Description of the Corporation's Business - Consolidated

This chapter of the Periodic Report contains a description of the Company's operations and business development in 2022 (hereinafter - the "**reporting year**" or the "**reporting period**"). Pursuant to Regulation 8C of the Securities Regulations, the provisions of Regulation 8(B) 8a and 8b of the Securities Regulations do not apply to information in the periodic report of a corporation that consolidated or proportionately consolidated an insurer or where the insurer is its associate, insofar as this information pertains to the insurer. The Group is engaged in four main areas of activity: insurance, asset management, credit and distribution, which are divided into seven reporting segments in the report (property and casualty insurance, health insurance, life insurance and savings, asset management - pension and provident, asset management - financial services, insurance agencies and credit).

As of the report date, the Group has approx. NIS **371** billion in assets under management.¹ For a breakdown of the assets under management, see Section 4.4.3 below.

In its **insurance** business, the Company operates through The Phoenix Insurance Company Ltd.;

In the **asset management** business, the Company operates through The Phoenix Pension and Provident, The Phoenix Investment House,² and The Phoenix Advanced Investments Ltd.;

In its **credit** business, the Company operates mainly through Gama Management and Clearing Ltd. - a publicly-traded company, whose controlling shareholder is the Company. As to the Company's intention to operate in the field of consumer credit, see Section 1.4.7 below.

In its **distribution** business, the Company operates through The Phoenix Insurance Agency 1989 Ltd. and its subsidiary and investee agencies;

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and with respect to the Group's insurance, pension and provident fund operations - in accordance with circulars and guidance issued by the Commissioner of Capital Market, Insurance and Savings Authority.

The materiality of the information contained in this Periodic Report, including the description of material transactions during the reporting year, is examined from the Company's perspective, and in some cases, the description is extended beyond the reporting year to provide a more comprehensive view of the subject matter.

¹ Upon completion of the transactions for acquisition of the Epsilon investment house and assets from the Psagot investment house, once the approvals required by law will be received and the transactions will be completed, the Company's assets under management will increase by approx. NIS 28 billion, such that in total the Company will have NIS 399 billion in assets under management, based on its assets under management as of December 31, 2022.

² Formerly Excellence Investments Ltd.

Description of the Corporation's Business

Chapter A to the Report - "Description of the Corporation's Business" - should be read in conjunction with the other parts of the Periodic Report, including the Report of the Board of Directors and notes to the Financial Statements.

As part of the Company's policy to increase its exposure to international investors, it adopted a voluntary reporting policy in English; for more information see the Company's immediate report of February 25, 2021 (Ref. No.: 2021-01-023287).

Forward-looking information

This report contains forward-looking information, as defined in the Securities Law, 1968. Among other things, this information contains forecasts, goals, estimates and assessments relating to future events or matters, including reference to risk factors and developments other than those described in the report, the materialization of which is uncertain and may be affected by various factors that are beyond the Company's control.

Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company.

It is clarified that actual future results may differ than those described in this report. Forward-looking information in this report refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as it appears in the report, insofar as it becomes aware of any additional information in connection with such information.

Reference to forward-looking information in this report generally includes terms such as "assessment," "expectation," "intention" and the like.

Monetary values in this chapter and in the Report of the Board of Directors are generally in millions of NIS (unless otherwise stated). Monetary values stated in the financial statements are generally in thousands of NIS (unless otherwise stated).

The Company's business and terms specific to the insurance and finance industries

The Company's operations are in sectors that require considerable professional knowledge and contain numerous professional terms. To clarify the information presented in this report wherever possible, the description of the Group's operations makes use of these professional terms, accompanied by the clearest possible explanations and notes.

The description presented in this report is for the purpose of the report alone, and does not constitute advice or a recommendation in relation to the insurance policies, provident funds, mutual funds, and alternative

Description of the Corporation's Business

investments products, pension funds and other areas of activity detailed in this report, nor should it be used to interpret the insurance plans or rules and miscellaneous regulations.

The binding terms and conditions of the Company's policies, provident funds, pension funds, mutual funds, alternative investment products and other products are those terms and conditions specified in the policies, pension fund and provident fund articles, and in the various agreements made in the Company's other areas of activity.

Table of Contents

Glossary of Terms	9
Part A Description of the General Development of the Corporation's Business	13
1.1 The Company's Activity and Description of the Development of its Business	14
1.2 The Group's Structure	14
1.3 Key Milestones in the Development of the Group's Business during the Reporting Year and until the Report Publication Date	16
1.4 Areas of Activity	27
1.4.1 Property and casualty insurance	27
1.4.2 Life insurance and savings	28
1.4.3 Health insurance	28
1.4.4 The field of asset management - pension and provident	28
1.4.5 Asset management - financial services	28
1.4.6 Insurance agencies	29
1.4.7 The Credit Segment	29
1.5 Additional Operations that Do Not Constitute Areas of Activity	29
1.5.1 Other investing activities	29
1.6 Risk Management	29
1.7 Investments in the Company's Equity and Transactions in its Shares	29
1.8 Dividend distribution policy and actual distribution of dividends	30
1.8.1 Dividend distribution policy	30
1.8.2 Dividend distribution and retained earnings	30
1.8.3 External restrictions on dividend distribution	31
1.8.4 Share buyback	31
Part B Description of the Group's Areas of Activity	32
2.1 Life insurance and savings	33
2.1.1 Life insurance	33
2.1.1.1. General	33
2.1.1.2 Description of life insurance products	35
2.1.2 Structure of profitability	39
2.1.3 New products	41
2.1.4 Competition	42
2.1.5 Effect of legislative changes on competition in the area of activity	43
2.16 Customers	44

2.2 Property and casualty insurance	46
2.2.1 Compulsory motor insurance	46
2.2.1.1 Products and services	46
2.2.1.2 Competition	47
2.2.1.3 Customers	48
2.2.2 Motor property insurance subsegment	48
2.2.2.1 Products and services	49
2.2.2.2 Competition	49
2.2.2.3 Customers	50
2.2.3 Other property and casualty insurance	51
2.2.3.1 Products and services	51
2.2.3.2 Competition	54
2.2.3.3 Customers	55
2.3 Health insurance	57
2.3.1 Products and services	57
2.3.1.1. Overview	57
2.3.1.2 Segment's structure and key markets	57
2.3.1.3 Principal changes in the health insurance segment	59
2.3.1.4 Description of main health insurance plans and health services offered	62
2.3.2 Structure of profitability	64
2.3.3 New products	65
2.3.4 Competition	65
2.3.5 Customers	66
2.4 Asset management - pension and provident	69
2.4.1 Products and services	70
2.4.1.1 Pension segment	70
2.4.1.2 Provident funds segment	74
2.4.1.3 Impact on competition between the various products	85
2.4.1.4 New products	85
2.4.1.5 competition	85
2.4.2 Customers	91
2.5 Asset management - financial services	92
2.5.1 General information about the segment	92
2.5.1.1 Segment structure and changes therein	92
2.5.1.2 Restructuring in The Phoenix Investment House	92
2.5.1.3 Acquisition of Epsilon Investment House Ltd.	93

2.5.1.4 Acquisition of the portfolio management activity and mutual funds from Psagot	94
2.5.1.5 Restrictions, legislation, standards and specific constraints	94
2.5.1.6 Critical success factors	101
2.5.1.7 Main entry and exit barriers	101
2.5.1.8 Alternatives for products in the segment and changes therein	101
2.5.1.9 Structure of competition in the area of activity and changes therein	102
2.5.2 Products and services	102
2.5.3 Breakdown of revenues and profitability of products and services	109
2.5.4 Customers	111
2.5.5 Marketing and distribution	111
2.5.6 Competition	112
2.5.7 Fixed assets	112
2.5.8 Human capital	112
2.5.9 Suppliers	113
2.5.10 Investments	114
2.5.11 Financing	115
2.5.12 Material agreements	115
2.5.13 Legal proceedings	117
2.5.14 Objectives and business strategy	117
2.5.15 Risk management, enforcement, control and supervision mechanisms	118
2.5.16 Discussion of risk factors	119
2.6 Credit	121
2.6.1 General information about the segment	121
2.6.2 Key developments in Gama's activity	126
2.6.3 General environment and effect of external factors on Gama's activity	127
2.6.4 General information about Gama areas of activity	128
2.6.5 Critical success factors in the area of activity and changes therein	135
2.6.6 Major entry and exit barriers in area of activity	136
2.6.7 Customers	136
2.6.8 Competition	137
2.6.9 Seasonality	139
2.6.10 Specific regulation	140
2.6.11 Financing	143
2.6.12 Material agreements	145
2.6.13 Marketing and distribution	146

2.6.14 Intangible assets	147
2.6.15 Human capital	147
2.6.16 Suppliers and service providers	149
2.6.17 Legal proceedings	149
2.6.18 Objectives and strategy	149
2.6.19 Credit risk management	150
2.6.20 Discussion of risk factors	150
2.7 Insurance agencies	151
2.7.1 General information about the segment	151
2.7.2 Scope of activity	157
2.7.3 Products and services	158
2.7.4 Customers	158
2.7.5 Competition	158
2.7.6 Seasonality	159
2.7.7 Specific regulation	159
2.7.8 Material agreements	166
2.7.9 Marketing and distribution	166
2.7.10 Human capital	167
2.7.11 Suppliers and service providers	167
2.7.12 Legal proceedings	167
2.7.13 Investments	167
2.7.14 Objectives and strategy	167
Part C Additional Information about Insurance Areas of Activity that were not Included in the Areas of Activity - N/A	169
Part D Additional Information at the Company Level	171
4.1 Restrictions and Regulation to which the Group's activity is subject	172
4.2 Entry and exit barriers	206
4.3 Critical success factors	211
4.4 Investments	213
4.5 Reinsurance	225
4.6 Human capital	237
4.7 Marketing and distribution	242
4.8 Suppliers and service providers	246
4.9 Fixed assets	248
4.10 Seasonality	251
4.11 Intangible assets	253
4.12 Financing	254

4.13 Risk factors	258
4.14 Material agreements	259
4.15 Objectives and business strategy	259
Part E Aspects of Corporate Governance	260
5.1 Details regarding the Company's external directors	261
5.2 Information about the Company's internal auditor	261
5.3 Information about the independent auditor	264
5.4 Effectiveness of internal control over financial reporting and disclosure	265

Glossary of Terms

The insurance industry has a specific jargon. The following terms, among others, will be used in this report:

Designated bonds	- CPI-linked government bonds issued by the Israeli government to insurance companies and pension funds at a pre-determined interest rate and for pre-determined terms. In life insurance - Life insurance linked ("Hetz") bonds were issued, and in pension - "Miron" and "Arad" bonds.
"Institutional entity"	- an insurer and management company, as defined in the Supervision Law.
"Financial Statements" and/or "Financial Report"	- the Company's financial statements as of December 31, 2022.
"Insurance premiums"	- the amounts paid by a policyholder to an insurer under an insurance contract (policy), which is not an investment contract.
"Contributions towards benefits"	- the amount deposited by (or for) a plan holder with a pension fund or provident fund
"Fees"	- a common term for registration fees, policy fees, levy fees and credit fees. These amounts are included in the insurance premiums and are intended to cover the insurer's expenses.
"The Commissioner"	- the Commissioner of the Capital Market, Insurance and Savings Authority.
"Voluntary investments"	- that portion of the assets that is not invested in designated bonds.
"Management company"	- a company engaged in the management of provident funds or pension funds, and which has received a license to do so from the Commissioner of Capital Market, Insurance and Savings in the Ministry of Finance, in accordance with Section 4 of the Provident Funds Law as defined below.
"Insurance contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Investment contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Yield-dependent contracts"	- as defined in Note 1 to the Financial Statements in the "Definitions" section.
"Prohibition on Money Laundering Law"	- Prohibition on Money Laundering Law, 2000.
"Reduction of Concentration Law"	- Law for the Promotion of Competition and Reduction of Concentration, 2013.
"Companies Law"	- the Companies Law, 1999.

Description of the Corporation's Business

"Advice Law"	- the Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995.
"Advice and Marketing Law"	- the Financial Services Supervision Law (Pension Advice and Marketing), 2005.
The "Supervision Law"	- the Financial Services Supervision (Insurance) Law, 1981.
"Joint Investments in Trust Law"	- Joint Investments in Trust Law, 1994.
"Insurance Contract Law"	- the Insurance Contract Law, 1981.
"Securities Law"	- the Securities Law, 1968.
"CRAV Law" or "Road Accident Victims Compensation Law"	- Compensation for Road Accident Victims Law, 1975.
"Provident Funds Law"	- the Financial Services Supervision Law (Provident Funds), 2005.
"Underwriting"	- the process of approving an insurance offer and setting the premium, in accordance with actuarial assumptions, for the data specified in the insurance offer and additional information available to the insurer.
"International Financial Reporting Standards" or "IFRS"	- International Financial Reporting Standards that include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and interpretations of International Financial Reporting Standards (IFRICs) and International Accounting Standards (SICs).
"Policyholder" and/or "planholder"	- the policyholder in life insurance and the planholder in pension funds and provident funds.
"Pension product"	- a provident fund, pension fund, advanced education fund, or insurance policy that is an equity provident fund or an annuity provident fund, a life insurance plan or permanent health insurance plan included in the above plans or sold along with one of them, according to the definitions set out in the Advice and Marketing Law.
"Financial asset"	- as defined in the Advice Law (Securities, Structured Products and Participation Units in Mutual Funds).
"Long-term savings assets"	- assets that include the assets of provident funds and pension funds, excluding old funds, assets held by insurers to cover yield-dependent life insurance liabilities, assets held by insurers to cover their liabilities under life insurance plans that provide the policyholder with a guaranteed return, and in respect of which the policyholder is not entitled to designated bonds.
"Motor Insurance Ordinance"	- Motor Insurance Ordinance [New Version], 1970.
"Income Tax Ordinance"	- Income Tax Ordinance [New Version], 1961.

Description of the Corporation's Business

"Private individual"	- policyholders who are private individuals or small business customers, with whom the insurance company contracts on an individual basis.
"Premium"	- the insurance premiums and other payments that the policyholder must pay the insurer in accordance with the terms and conditions of the policy, including fees.
"Accrual"	- in long-term savings - the amounts accrued for planholders in a provident fund or pension fund or in a life insurance policy with a savings component.
"Collective"	- a group of people (usually from a single workplace, or members of an organization or having supplier-customer relationship with a corporation or organization), with whom the insurance company enters into a single agreement that insures all group members (rather than into individual contracts with each member of the group).
"Insurance fund"	- an insurance plan approved as a provident fund for pension, severance pay or annuity, both under the Provident Funds Law and Provident Funds Regulations.
"Provident fund"	- a provident fund (as defined in the Provident Funds Law), which is not a pension fund, but rather constituting a "pure" savings instrument in which the saved funds and the return payable in respect thereof are paid to the saver upon reaching retirement age, or at another time. For this purpose, the definition does not include "pension fund" or "insurance fund", as defined above and below.
"General fund"	- an annuity provident fund that is not eligible for investment in designated bonds.
"Mutual fund"	- a joint investment trust fund, as defined in Section 3 of the Joint Investments in Trust Law.
"Pension fund"	- an annuity provident fund as defined in the Provident Funds Law, which is not an insurance fund and constitutes a savings instrument intended to pay the saver a monthly annuity after his/her retirement and for the rest of his/her life; a pension fund usually provides life insurance and permanent health insurance.
"Old pension fund"	- a pension fund established prior to January 1 1995.
"New pension fund"	- a pension fund established as from January 1 1995.
"Supplementary Healthcare Services" or "SHABAN"	- additional health services that supplement the basic health services basket. The programs operated by the health maintenance organizations, including Shaban, are regulated by the Ministry of Health.

Description of the Corporation's Business

"Retention"	- the maximum amount of risk retained by an insurer after transferring some of the risk to a reinsurer.
"Insurance benefits"	- amounts to be paid upon the occurrence of an insurance event according to the terms and conditions of the policy.
"Minimum Capital Regulations"	- Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer License), 2018;
"Investment Regulations" and/or "Investment Rules"	- Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 and/or the Supervision of Insurance Business Regulations (Mode of Investment of the Capital and Reserves of an Insurer and Management of its Liabilities), 2001.
"Provident Funds Regulations"	- Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964.
"Securities Regulations"	- Securities Regulations (Periodic and Immediate Reports), 1970.

For the sake of convenience, in this report, the following abbreviations shall have the meaning assigned to them, as follows:

The "Company" and/or the "Corporation" and/or "The Phoenix Holdings"	- The Phoenix Holdings Ltd.
The "Group" and/or the "Phoenix Group"	- The Phoenix Holdings and its investees.
"The Phoenix Insurance Group"	- The Phoenix Insurance Company Ltd. and its subsidiaries.
"Agam Holdings"	- Agam Leaderim Holdings (2001) Ltd.
"Agam Leaderim"	- Agam Leaderim Insurance Agency (2003) Ltd.
"The Phoenix Investment House"	- The Phoenix Investment House Ltd. (formerly - Excellence Investments Ltd.) and the companies under its control.
"The Phoenix Pension and Provident"	- The Phoenix Pension and Provident Fund Ltd.
"Gama Management and Clearing"	- Gama Management and Clearing Ltd.
The "TASE"	- the Tel Aviv Stock Exchange Ltd.
"The Phoenix Insurance"	- The Phoenix Insurance Company Ltd.
The "Phoenix Capital Raising"	- The Phoenix Capital Raising (2009) Ltd.
"The Phoenix Investments"	- The Phoenix Investments and Finances Ltd.
"The Phoenix Agencies"	- The Phoenix Insurance Agencies 1989 Ltd.
"Ad 120"	- Ad 120 Residence for Senior Citizens Ltd.
"Phoeniclass"	- Phoeniclass Ltd.
"Oren Mizrach"	- Oren Mizrach Insurance Agency Ltd.
"IEC Gemel"	- The Phoenix IEC Central Severance Fund Ltd.



Part A

The Company's Activity and Description
of the Development of its Business



1.1. The Company's Activity and Description of the Development of its Business

The Phoenix Holdings Ltd. was incorporated in 1949 and has been a publicly-traded company since 1978. As of the report publication date, the Company's shares are traded on a number of indices, mainly Tel Aviv 35, Tel Aviv 125, Tel Aviv Financial Index, Tel Aviv Insurance Plus Index, Tel Aviv Ma'ala Corporate Social Responsibility Index and Tel Aviv All Shares Index. The Company's bonds are listed in the Tel Bond Linked Yeter, Tel Bond Linked, and Tel Bond Maagar indices.

The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "Belenus")³, which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs, who hold, as of the report date, approximately 33.31% of the Company's issued and paid-up share capital.

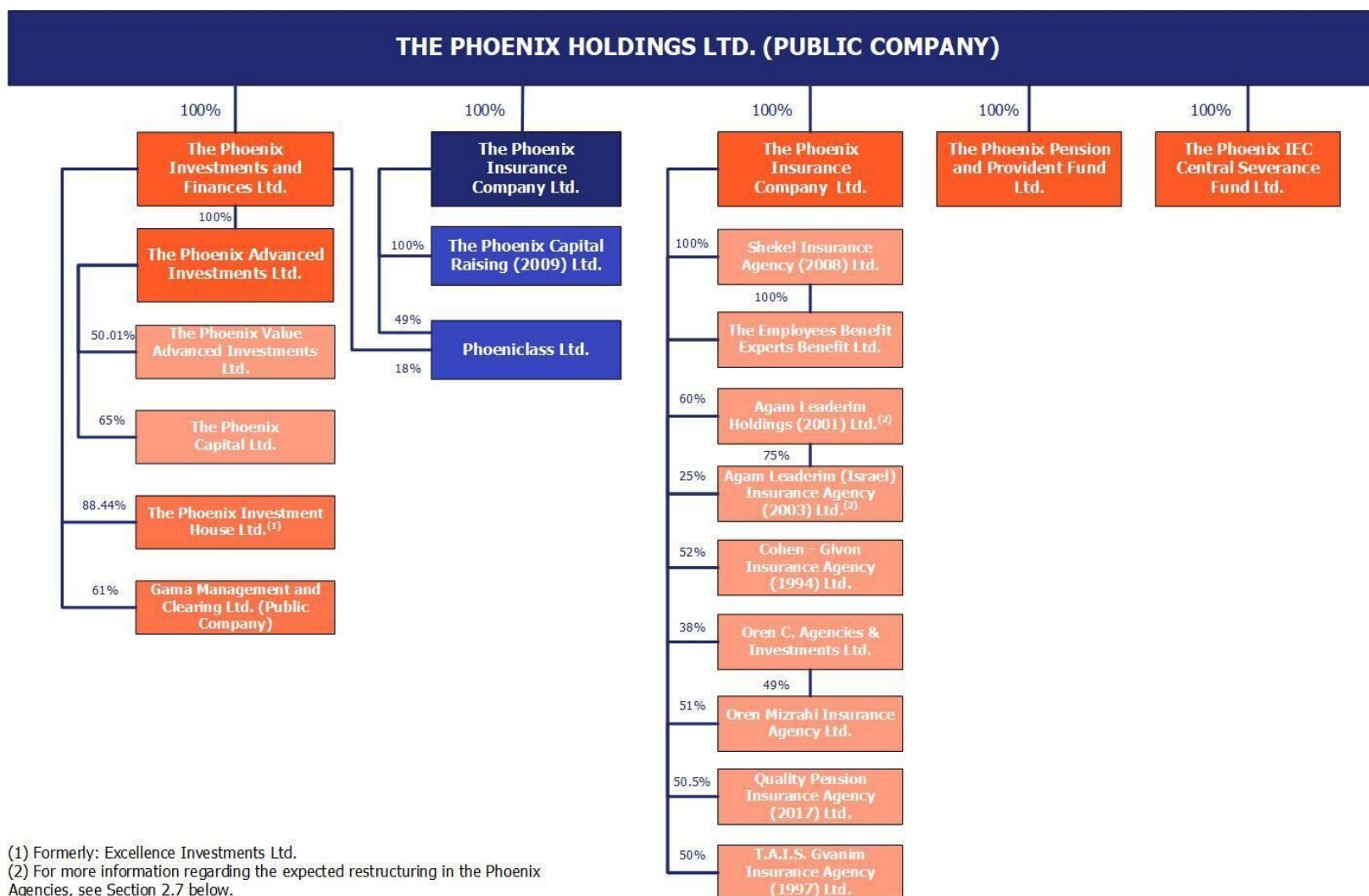
On December 13, 2022, Belenus informed the Company that the entities that have an indirect control therein signed an unbinding memorandum of understanding that includes the key terms whereby a consortium composed of ADQ Developmental Holding LLC, Gallatin Point Capital LLC and other investors will acquire the controlling core in the Company through a joint corporation that will be established. For further details, please see the Company's report dated December 13, 2022 (Ref. No.: 2022-01-150541).

1.2. The Group's Structure

The following chart illustrates the principal holdings of the Company, close to the report's publication date. A full list of the Company's investees at the report date is included in Part four of the Periodic Report, under Regulation 11 of the Securities Regulations.

For the holding structure of The Phoenix Holdings, please see Section 1.1.

³ Belenus is a sister company of Leolin Lux S.a.r.l (B243.006), which holds 0.33% of the Company's shares.



The holdings structure is comprised of the main companies in the group. As a result, subsidiaries of the insurance agencies, companies established for real estate investment purposes and some of the subsidiary companies of The Phoenix Investment House, The Phoenix Investments and Finance, and The Phoenix Advanced Investments, which are not significant have not been included.

February 2023

1.3. Key Milestones in the Development of the Group's Business during the Reporting Year and until the Report Publication Date

General

1.3.1 Interest rates, the capital market and inflation

Changes in the risk-free interest rate curve and capital market affect The Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. The Company manages the interest rate risks of all of its assets and liabilities.

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 0.1% to 3.25%. Furthermore, in the reporting period, the shekel yield curve increased. The increase in the shekel yield curve has a positive effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

The capital market - during the reporting period, there were slumps in financial markets in Israel and across the world. These slumps have an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

Inflation - during the reporting period, the inflation rate increased by 5.3%. Inflation forecasts have also increased. The increase in inflation rates has an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

During the period from reporting date through immediately prior to the financial statements publication date, financial markets in Israel and across the world continued to decline and were volatile, the Bank of Israel increased the interest rate by further 1.0% to 4.25%, inflation in Israel and globally continued to increase, and inflation expectations indicated a sharp decline in inflation in 2023.

For more information regarding the effects of changes in the interest rate curve, the capital markets and inflation rates on the Company's financial results, see Section 4.4 below, and Notes 8A and 8B to the financial statements. As to the effect of the changes in the shekel yield curve and in capital markets on The Phoenix Insurance's solvency ratio, see Section 1A in The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2022.

For the purpose of using its financial results, the Company uses a real return of 3%; in view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting profits and investment profits.

1.3.2 The legal reform

In recent months there has been uncertainty due to the government's plans to promote changes in the legal system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests.

The reform in the legal system or its consequences might affect the economic environment in which the Company operates, the cost of capital raising, Israel's credit rating, and more. At this stage it is still impossible for the Company to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

The insurance activity

1.3.3 Update regarding mortality assumptions

In June 2022, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the consolidated circular regarding updating the demographic assumption system and a mortality improvement model for insurance companies and pension funds (hereinafter - the "**Circular**"). For information regarding the Circular, see Section 2.2 below.

The provisions of the Circular update the assumptions underlying the calculations of liabilities and coefficients in life insurance policies, such that the Circular has an adverse effect on The Phoenix Insurance's financial results and solvency ratio. The effect on the financial statements following the publication of the Circular is a NIS 364 million decrease in pre-tax comprehensive income. For further details, including the effect on The Phoenix Insurance's solvency ratio, please see immediate report dated July 3, 2022 (Ref. No. 2022-01-069297).

1.3.4 Completion of study on retirement age and pension uptake rates

During 2022, the Company completed a study on retirement age and pension uptake rates (hereinafter - the "**Study**"). The effect on the financial statements following the completion of the Company's study is a NIS 462 million increase in pre-tax comprehensive income. For further details, including the effect on The Phoenix Insurance's solvency ratio, please see immediate report dated July 3, 2022 (Ref. No. 2022-01-069297).

1.3.5 Updating the minimum capital target

In August 2022, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the transitional provisions during the Transitional Period - by 3 percentage points - from the 108% rate a 111% rate as of June 30, 2022.

Asset management activity

1.3.6 Implementation of the strategy in The Phoenix Investment House (formerly - Excellence Investment House) and a restructuring

In May 2022, binding agreements were signed between Messrs. Avner Hadad and Boaz Nagar (hereinafter - the "**Managers**") and another partner in KSM ETN Holdings Ltd. (hereinafter - "**KSM Holdings**" and the "**Minority Interests in KSM Holdings**", respectively), and the Company for the execution of a statutory merger of KSM Holdings with The Phoenix Investment House. Following the completion of the merger and further actions, the Company is holding (indirectly) 88.44% of the shares of The Phoenix Investment House and the Minority Interests in KSM Holdings hold approximately 11.56% of the shares of the Investment House, of which the share of Avner Hadad and Boaz Nagar is 7.5%.

Under the agreements, options arrangements were established to execute transactions, from 2026 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in the Investment House's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration from the exercise of the options by way of allocating Company shares that will be allocated as part of a private placement, subject to the Company's discretion.

In accordance with the agreement, The Phoenix Investment House focuses on the management of the investment house's core businesses, which include the activity of KSM Mutual Funds, TASE Member, portfolio management and ESOP. Other activities were transferred from the Investment House to other Phoenix Group companies. For further details, please see immediate report dated March 15, 2022 (Ref. No.: 2022-01-025548).

1.3.7 Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement with Mr. Shmuel Frenkel, Flaming Star Ltd. (a wholly-owned company of Mr. Frenkel) and Mr. Lior Aviani (hereinafter, jointly - the "**Sellers**"), for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "**Epsilon Investment House**"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "**Epsilon Funds**") and Epsilon Investment Portfolio Management Ltd. The transaction was completed on February 13, 2023.

1.3.8 Acquisition of assets under management from Psagot Investment House

In January 2023, KSM Mutual Funds Ltd. (hereinafter - "**KSM**") and Psagot Mutual Funds Ltd. (hereinafter - "**Psagot Funds**") signed an agreement where under KSM will acquire from Psagot Funds part of its mutual funds activity as part of an assets' transaction comprising assets under management of NIS 17.1 billion in consideration for NIS 260 million (hereinafter respectively: the "**Funds Agreement**" and the "**Sold Funds**"). Under the Funds Agreement, subsequent to the sale each of the parties will be allowed to continue its activities in the funds market without any restrictions, and Psagot Funds will not be precluded from managing funds that compete with the Sold Funds. Among other things, the acquirer in the Funds Agreement shall pay the consideration by assigning to KSM a bank loan that was advanced to Psagot Funds, subject to obtaining the bank's consent. The transaction will be carried out by way of transferring funds between fund managers, and in accordance with the Joint Investments in Trust Law, 1979. As of the publication date of the report, the Competition Authority announced that it intends to assess the implications of this transaction on the competition in the sector, and therefore, it is not certain that the transaction will be completed in accordance with the set outline.

Furthermore, The Phoenix Investment House and Psagot Securities Ltd. (hereinafter - "**Psagot Securities**") signed an agreement, which is independent and unconditional of and separate from the Funds Agreement; under the said agreement, The Phoenix Portfolios will acquire the entire portfolio management activity of Psagot Securities comprising assets under management of approx. NIS 8.1 billion (hereinafter - the "**Portfolio Agreement**"), in consideration for NIS 50 million. Subject to obtaining the Bank's consent, the consideration in the Portfolio Agreement will be paid by way of assigning Psagot Securities' bank loan to the acquirer and/or to any entity it will instruct it to be assigned to.

The Portfolio Agreement is subject to approvals as required by law, including the approval of the Israel Competition Authority, which was provided prior to the report publication date. Furthermore, the parties have requested the Court to approve the agreement as an arrangement under Section 350 to the Companies Law, 1999. Accordingly, the Portfolio Agreement will only be completed after all approvals required by law are obtained. For further details, please see immediate report dated January 19, 2023 (Ref. No.: 2023-01-009285).

As of the report's publication date, the said agreements have not yet been completed. The Company's assessments in connection with the dates set for the completion of the agreements constitute forward-looking information, as defined in the Securities Law, 1968. Those assessments may not materialize or materialize in part and on dates other than those set by the Company, due to, among other things, factors outside the control of the Company and The Phoenix group companies that enter into the agreements.

1.3.9 Restructuring of The Phoenix Advanced Investments Ltd.

During the reporting year, the Company took steps to hold all alternative investments of The Phoenix group under The Phoenix Advanced Investments Ltd. Accordingly, in the reporting period, various steps were taken in order to achieve the above, including: The distribution, as a dividend in kind from The Phoenix Advanced Investments Ltd. of Quality Pension Insurance Agency (2017) Ltd., and 16% of The Phoenix Pension and Provident's shares it held, and the sale of The Phoenix IEC Central Fund Ltd. (formerly - Halman-Aldubi IEC Gemel Ltd.) to the Company. Concurrently, the Company's holdings in The Phoenix Advanced Investments were transferred to The Phoenix Investments, and the holdings of The Phoenix Investments in The Phoenix Capital Ltd. (hereinafter - the **"Phoenix Capital"**) and the Phoenix Investment Funds Ltd. (which manage the activity of alternative investment funds) were transferred to The Phoenix Advanced Investments.

1.3.10 Amendment to a Shareholders Agreement in The Phoenix Capital Ltd.

The Company has an indirect 65% stake in The Phoenix Capital, which is engaged in the establishment, management and distribution of alternative investment funds. The Phoenix Capital's activity constitutes a part of the Company's strategic plan to achieve growth in the area of investment management in general, and in the area of establishing, management and distribution of alternative investment funds in particular.

The remaining holdings in The Phoenix Capital are held by Safra Consultation and Investments Ltd. (hereinafter - **"Safra"**). The parties have in place a shareholders agreement that regulates the management of The Phoenix Capital.

In June 2022, the parties signed an addendum to the agreement, which made - as part of the implementation of the Company's strategic plan - changes to the decision-making processes in The Phoenix Capital, such that decisions are made based on the parties' stake in the company, in contrast to the decision-making processes prior to the changes whereby decisions were made jointly. As a result of the said amendment, the Company changed the recording of its holding in The Phoenix Capital from joint control to control and recorded a post-tax NIS 86 million one-off earning from assuming control.

For further details, please see immediate report dated July 28, 2022 (Ref. No.: 2022-01-078765).

Credit activity

1.3.11

In the reporting period, the Company continued its credit-related activities, and increased Gama's credit portfolio, as well as other credit activities that are not included in the credit segment, such that as of the report date the scope of the Group's credit activities is NIS 5.1 billion (for more information, see Section 2.6 below).

Furthermore, and in addition to the Company's intention to operate in the field of consumer credit, in January 2023 the Company signed a memorandum of understanding for setting up a joint venture with Isracard Ltd.; the venture did not come to fruition. In that context, the Company is considering its future steps in connection with the engagement in the memorandum of understanding, and the exhaustion of its rights in connection with the damages its incurred vis a vis Isracard Ltd. For further details, please see the Company's immediate reports dated January 2, 2023 and March 5, 2023 (Ref. Nos.: 2023-01-000874 and 2023-01-019777, respectively). At the same time, the Company continues developing its activity in the field of consumer credit.

Distribution activity

1.3.12 Restructuring - The Phoenix Agencies

In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**"), a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 79.412% of the shares of The Phoenix Agencies, Hagoz (2015) Ltd. (hereinafter - "**Hagoz**"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "**Y.H.G Sasson**"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam Israel**"), which runs the agency's pension and provident activity. The completion of the merger is subject to the fulfillment of all conditions precedent and regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies.

For further details, see Section 2.7.1 below and immediate report dated December 29, 2022 (Ref. No.: 2022-01-124026).

Further developments in the reporting period:

1.3.13 Exercise of an option as part of the engagement with El Al Frequent Flyer Ltd.

For information regarding the exercise of the option that was awarded as part of the engagement, for the provision of a loan by The Phoenix Insurance to El Al Frequent Flyer Ltd. through the nostro funds, see Section 4.4.4.5 below and immediate reports dated June 23, 2022, and September 13, 2022 (Ref. Nos.: 2022-01-077968 and 2022-01-094686).

1.3.14 Investment in a new company in the field of property and casualty insurance

In September 2022, a subsidiary controlled by the Company entered into an agreement with Mr. Uri Omid (who has background and experience in the field of insurance) (hereinafter - the "**Entrepreneur**"), where under the subsidiary shall make a financial investment in a new company which is controlled by the Entrepreneur (hereinafter - the "**New Company**"), and which will engage in the field of property and casualty insurance, subject to receiving an insurer license in accordance with the Financial Services Supervision Law (Insurance), 1981. For further details, please see the Bank's immediate report dated September 18, 2022 (Ref. No.: 2022-01-118753).

1.3.15 Updating the targets of the multi-year strategic plan

In December 2020, the Company's Board of Directors decided to adopt a multi-year strategic plan for the Company and its Group subsidiaries - The Phoenix with a Look Ahead - based on joint work with the Company's management and work teams, in collaboration with an international consulting firm specializing in strategy and restructuring. In March 2022, the Company updated the targets of the multi-year strategic plan. For further details, please see Chapter 4 of the Report of the Board of Directors.

1.3.16 Dividend distribution policy

For more information about the dividends policy and distributions carried out in the reporting year in accordance with the policy, see Section 1.8 below.

1.3.17 Share buyback plan

In January 2023, the Company's Board of Directors approved an additional share buyback plan. For further details, please see Section 0.01.8.4 below.

1.3.18 Option plan for employees and officers

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "**Options**") to employees, officers, and service providers of the Company and companies under its control.

In January 2022, the Company's Board of Directors approved the award of up to 4,883,593 options to employees and officers of the Company and its subsidiaries, exercisable into up to 4,883,593 ordinary shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company on March 8, 2022. For further details, see Note 37 to the Financial Statements and immediate reports dated February 1, 2022 and March 9, 2022 (Ref. Nos. 2022-01-012510, 2022-01-012513 and 2022-01-028288, respectively).

1.3.19 ESG

In June 2022, the Company published an ESG report for 2021. The report was published on the Company's website and on the websites of the TASE and the Israel Securities Authority. To view the full report, as published on the Company's website, see the Company's website at: https://www.fnx.co.il/sites/docs/genery/for_new_site/esg/fnx-full-esg-2021-he.pdf.

Furthermore, the Company revised its investment policy in accordance with the Institutional Entities Circular No. 13-9-2021 of the Capital Market, Insurance and Savings Authority, which requires that the overall investment policy, that is determined by the Group, will set an investment policy in relation to ESG considerations, which are relevant for the performances of the investment portfolio and, which might affect them. For more information in connection with the investment policy, see the Company's website at:

https://www.fnx.co.il/sites/docs/genery/mediniut_ashkaa_tzfuia/hashkaotachraiot2022.pdf.

In July 2022, Maala published its 2021 ESG ratings, in which the Company's rating was upgraded from Gold to Platinum, and it was awarded an A rating in the ESG index published by the TASE; in August 2022, the Company's 2021 Greeneye ESG rating upgraded to 77/100.

1.3.20 The Company's preparation for the application of IFRS 17

The Company continues to prepare for applying IFRS 17 (hereinafter - the "**Standard**"), in the Financial Statements of the Company and The Phoenix Insurance as from the quarterly and annual periods beginning on January 1, 2024, in accordance with the roadmap revision paper published in September 2022 by the Capital Market, Insurance and Savings Authority (hereinafter - the "**Roadmap**").

As part of the implementation of the Standard and in accordance with the Roadmap that was published by the Commissioner, during the reporting period the Company completed the following:

1. A general review as to the planned scope and timing of the audit, that the Company's independent auditors are expected to conduct.
2. Transferring a document describing the methodology used to calculate the risk adjustment.
3. Transferring the results of a quantitative test, and theoretical background about the measurement of the fair value of insurance contracts for a number of selected portfolios, based on December 2021 data.

The Company continues to provide reviews and training sessions to the Balance Sheet Committee in connection with the application of the Standard. For further details, please see Note 2(ff) to the Periodic Report.

Debt raising:

1.3.21 Publication of a Shelf Prospectus

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022 and is valid through August 23, 2024. For further details, please see immediate report dated August 23, 2022 (Ref. No.: 2022-01-107443).

1.3.22 Issuance of Series 6 bonds and early redemption of Series 3 bonds

In January 2022, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5, 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Bonds (Series 3) in the total amount of NIS 283,770,005, which was implemented on January 18, 2022. For further details, please see Note 27 to the Financial Statements and the Company's immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313, 2022-01-008097).

1.3.23 Private placement of Series 4 Bonds

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed on the Tel Aviv Stock Exchange Ltd. The bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. For further details, please see immediate report dated September 11, 2022 (Ref. No.: 2022-01-093804).

1.3.24 Issuance of further Series 6 bonds by the Company by way of series expansion

In January 2023, subsequent to the report date, the Company issued - by way of expansion - further Series 6 bonds of up to NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 thousands. The Series 6 bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

1.3.25 Listing of restricted Tier 1 capital of The Phoenix Insurance

In August 2021, The Phoenix Insurance completed - through The Phoenix Capital Raising (2009) Ltd. (hereinafter - "**The Phoenix Capital Raising**") an issuance of subordinated bonds to institutional entities and to the Company. The subordinated bonds were recognized by the Commissioner as an Additional Tier 1 capital instrument of The Phoenix Insurance, and listed by The Phoenix Capital Raising for trade on the TACT Institutionals trading platform operated by the TASE.

The Phoenix Capital Raising has recently arranged the terms for the listing the subordinated bonds for trade in the primary list of the TASE, as set out in Section 3.2.6 to the deed of trust published by The Phoenix Capital Raising; The Phoenix Capital Raising is in the final stages of completing the listing of the subordinated bonds for trading in the main list; on March 22, 2023, The Phoenix Capital Raising received the TASE's approval for the listing, but the Israel Securities Authority's approval, has not yet been received. As part of the listing process, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date. For more information in connection with the issuance of the subordinated bonds, see the Company's immediate reports dated August 2, 2021, August 3, 2021, and August 8, 2021 (Ref. Nos.: 2021-01-060658, 2021-01-061159, and 2021-01-062515, respectively).

The above-mentioned information in connection with the completion of process of listing of the subordinated bonds in the primary trading list constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on information available to the Company and its assessments as of the date of this report. Such information and assessments may also not materialize, due to factors that are unknown to the Company and The Phoenix Insurance as of the date of this report and are not under their control, including, inter alia, failure to complete the listing of the subordinated bonds in the primary list, etc.

1.3.26 Shareholders' meetings:

Annual general meeting

An annual general meeting of the Company was held in August 2022; the following items were on the agenda of the meeting: 1) discussing the 2021 Periodic Report; 2) reappointment of the Company's independent auditor and authorizing the Company's Board of Directors to set its fees; (3) reappointment of the following Company serving directors, who are not external directors, for a further term in office as Company directors: Benjamin Gabbay, Itzhak Shukrie Cohen, Roger Abravanel, Eliezer Yones, Ben Carlton Langworthy, and Dr. Ehud Shapira (as independent director). For further details, please see the Company's immediate reports dated June 28, 2022 and August 4, 2022 (Ref. Nos.: 2022-01-080470 and 2022-01-094686, respectively).

Extraordinary meetings

An extraordinary meeting of the Company was held in March 2022, which discussed the approval of the allocation of 90,000 unlisted options to the Company's CEO, Mr. Eyal Ben Simon, in accordance with the Company's compensation policy. For further details, please see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-012513 and 2022-01-028288, respectively).

An extraordinary meeting of the Company was held in January 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy; 2) adoption of amendments to the Company's Articles of Association. For further details, please see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively).

An extraordinary meeting of the Company was held in March 2023, which discussed the appointment of Ms. Rachel Lavine for another term in office as an external director. For further details, please see the Company's immediate reports dated February 16, 2023 and March 8, 2023 (Ref. Nos.: 2023-01-015454 and 2023-01-020875, respectively).

1.3.27 Renewal of liability insurance for officers and board members

In October 2022, the Company's Compensation Committee approved the engagement in an officers liability insurance policy covering the officers of the Company and its subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period starting on November 3, 2022, in accordance with Regulation 1B1 to the Companies Regulations (Relief in Transactions with Interested Parties), 2000. The limit of liability coverage is USD 150 million per case and in total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said limit of liability for claims in Israel. For further details, please see the Company's report dated November 2, 2022 (Ref. No. 2022-01-106689).

1.3.28 Legal proceedings

For details further regarding legal proceedings, please see Note 43A to the Financial Statements.

1.3.29 Human capital

For further details regarding the Company's human capital and changes therein, please see Section 4.6 below and Note 42 to the Financial Statements.

1.4 Areas of Activity

The Group is engaged, through its subsidiaries, in the fields of insurance (P&C, health and life insurance and savings), financial asset management (pension and provident and financial services), holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative investments. The Group's key material operating segments are as follow:

1.4.1 Property and casualty insurance

Property and casualty insurance includes all insurance subsegments, except for life insurance, long-term savings, and health insurance. The principal insurance coverages provided in this segment are property and liability insurance. The Group operates in the property and casualty insurance segment in the following key subsegments - compulsory motor insurance, motor property insurance, and other property and casualty insurance.

- a. The compulsory motor insurance subsegment:** comprises the Group's activity in providing insurance coverage pursuant to the statutory provisions of the Motor Insurance Ordinance [New Version], 1970, resulting from the use of a motor vehicle, and provides cover for bodily injury (to the driver of the vehicle, passengers in the vehicle or pedestrians) resulting from the use of a motor vehicle, under the CRAV Law.
- b. The motor property insurance subsegment:** focuses on cover for property loss to insured vehicles and includes the Group sale of policies for property damages to insured vehicles, including cover for motor property loss (for example, due to accident and/or theft) and cover for third-party loss caused by the insured vehicle.
- c. Other property and casualty insurance subsegments:** this includes the Group's activity in the sale of a variety of policies in three key subsegments: property (non-motor) insurance - which provides policyholders with cover against physical damage to his/her property (for example, insurance for homes and businesses); liability insurance which is generally sold together with property insurance for businesses and provides cover for the policyholder's liability towards third parties (for example, third-party liability, employers' liability, professional liability, including directors' and officers' liability, and product liability for faulty

products); and other property and casualty insurance subsegments (for example, personal accidents insurance, engineering insurance - including contract works and marine insurance). Furthermore, The Phoenix Insurance has a dedicated department which markets investment policies to home buyers (Sales Law guarantees). For further details, please see Section 2.2 below.

1.4.2 Life insurance and savings

The life insurance segment includes life insurance policies, permanent health insurance policies, and savings policies, focusing mainly on retirement savings (under various categories of insurance policies), and insurance coverage of various risks, such as: life, disability and permanent health insurance. For further details, please see Section 2.1 below.

1.4.3 Health insurance

This segment includes the Group's activity in illness and hospitalization insurance, for individuals and groups, as well as dental insurance. The policies sold in these subsegments cover the range of damages sustained by the policyholder due to illnesses and/or accidents (excluding death). Furthermore, this segment also includes the Group's activity in long-term care insurance and critical illness insurance, as well as travel insurance and sick leave insurance. For further details, please see Section 2.3 below.

1.4.4 The field of asset management - pension and provident

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident (which confer rights according to bylaws), including advanced education funds. In 2021, the transfer of the shares of The Phoenix Pension and Provident from The Phoenix Insurance to the Company was completed. For further details, please see Section 2.4 below.

1.4.5 Asset management - financial services

Activity in this segment takes place through The Phoenix Investments, The Phoenix Investment House and The Phoenix Advanced Investments, consists mainly of financial asset management services such as the marketing and management of investments for customers, underwriting and investment banking, management of mutual funds, and provision of stock exchange and trading services. In addition to the above, The Phoenix Group manages private funds under this area of activity, which are mainly aimed at qualified investors, and public funds aimed at the general public. For further details, please see Section 2.5 below.

1.4.6 Insurance agencies

This area of activity includes insurance brokerage services provided by The Phoenix Group through insurance agencies held by a wholly-owned subsidiary of the Company - The Phoenix Insurance Agencies (1989) Ltd. (hereinafter - "**The Phoenix Agencies**"), which markets insurance products, and pensions and provident funds of various institutional entities in the market. For a list of material agencies held by The Phoenix Agencies, please see Section 2.7 below.

1.4.7 The Credit Segment

This segment includes operating segments such as: acquisition-aggregator and factoring of debit cards' vouchers, financing against post-dated checks (checks factoring), financing against charges placed on real estate properties and other areas of activity, such as: loans and credit to businesses, factoring (financing against invoices), business guarantees, and financing of equipment. The activity is mostly conducted by Gama Management and Clearing Ltd. (hereinafter - "Gama"), which is controlled by the Company. For further details, please see Section 2.6 below.

1.5 Additional Operations that Do Not Constitute Areas of Activity

1.5.1 Other investing activities

In addition, and as part of its activity in the segments described above, the Group is engaged in a range of investment activities, including investments in securities, bonds and other financial assets (both liquid and illiquid), financing, credit, financial derivatives, real estate and holding companies, as well as ownership interest in various companies. The investment activity is conducted mainly against various insurance reserves, and against the equity capital required for the insurance activity and capital surpluses of The Phoenix Insurance and other Group companies. For further details about the Company's investment activities, please see Section 4.4 below.

1.6 Risk management

The Company manages the aforementioned areas of activity by employing risk management methodologies. The Group places emphasis on management of the risks to which it is exposed, with the purpose of identifying, quantifying, managing and estimating the potential impact of these risks on the future financial position of the Group companies. For more information on risk management, see Note 41 to the Financial Statements, and the "Disclosure on exposure to and management of market risks" chapter in the Report of the Board of Directors.

1.7 Investments in the Company's Equity and Transactions in its Shares

For further details on the Company's controlling shareholders, please see Section 1 above.

1.8 Dividend distribution policy and actual distribution of dividends

1.8.1 Dividend distribution policy

In 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. For further details, please see the Company's immediate report dated October 28, 2020 (Ref. No. 2020-01-107812).

On March 28, 2022, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

- Interim dividend at the discretion of the Board of Directors on the approval date of the financial statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.

It should be clarified that the foregoing is not intended to derogate from the power of the Board of Directors to decide not to distribute a dividend or to distribute a dividend at rates that vary from what is stated above, all as it deems appropriate at any given time, subject to the provisions of the law.

1.8.2 Dividend distribution and retained earnings

In 2021, the Company distributed a cash dividend of NIS 621 million.

In August 2022, the Company distributed a NIS 160 million interim dividend on account of the Company's 2022 profits (hereinafter - the "**Interim Dividend**").

Subsequent to the report date, on March 22, 2023, concurrently with the approval of the Company's Financial Statements as of December 31, 2022, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 177 million. Total amount in dividend distributed in cash in respect of 2022 including the interim dividend as stated above is NIS 337 million, which represents a dividend per share of approx. NIS 1.3. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31, 2022, which are included in this Periodic Report, the Company has positive retained earnings of approximately NIS 7,836 million, taking into account the NIS 177 million dividend, as stated in this section.

1.8.3 External restrictions on dividend distribution

In the last two years, no external restrictions were placed which affected the Company's ability to distribute dividends, and the Company is unaware of any external restrictions that may affect its ability to distribute dividends in the future, except for the general statutory dividend distribution restrictions applicable by virtue of in the Companies Law, and the restrictions on dividend distribution under the bonds' deeds of trust (Series 4 to 6). For further details, please see Note 27 to the Financial Statements.

However, there are external restrictions under the Commissioner's Directives applicable to insurance companies, pertaining to the ability of The Phoenix Insurance to distribute dividends. It should also be noted that in October 2020, The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target of 135%, taking into account the transitional provisions. In August 2022, The Phoenix Insurance's Board of Directors approved a revisions of the minimum solvency ratio target - without taking into account the transitional provisions in the transitional period - of 111%. For further details, please see Section 1.3.5 above.

1.8.4 Share buyback

In August 2021, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "**Plan for 2021**"). As part of the Plan for 2021, the Company made buybacks totaling approx. NIS 55.8 million.

In January 2023, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "**Plan for 2023**"). As part of the Plan for 2023, the Company executed, as of the report publication date, share buybacks totaling NIS 6.3 million.

It should be noted that similarly to prior plans, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries. As of the report publication date, there are 5,547,301 treasury shares constituting approximately 2.20% of the Company's issued and paid-up share capital. For further details, please see the Company's immediate reports dated February 1, 2023 and February 16, 2023 (Ref Nos.: 2023-01-011410 and 2023-01-015691, respectively).

For more information the non-inclusion of the share buybacks in the dividend calculation, see Section 1.8.1 above.



Part B

Description of the Group's Business by
Areas of Activity



2.1 Life insurance and savings

The Group is engaged in subsegments of the life insurance segment, which include life insurance policies, permanent health insurance policies and savings policies. Furthermore, the Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Funds Ltd. (which confer rights according to bylaws), including advanced education funds, as well as through IEC Gemel - a central pension fund for employees of the Israel Electric Corporation. The Company classified pension and provident asset management as a separate segment. For further details, please see Section 2.4 below.

2.1.1 Life insurance:

2.1.1.1 General

Life insurance policies provide an option to obtain insurance coverage without a savings components (including protection in the event of death, permanent health insurance and disability insurance), as well as an option to combine insurance coverage with a savings component, or even savings without any insurance coverage. The policyholder can redeem the savings upon retirement or at another date. The policyholder may choose the composition that best suits his/her needs from among the insurance products (hereinafter - "**Life Insurance**") and savings components (hereinafter - "**Saving**"). Policies may be individual or sold as insurance funds in accordance with the Provident Funds Regulations. Savings for retirement in policies that are recognized as insurance funds are designed exclusively for payment of an annuity (excluding the severance pay component). Until December 31, 2007, policyholders could choose between an annuity or capital track (from which the savings could be withdrawn as one lump sum). Policies with a savings component can be divided into several key categories, differentiated by the methods employed by insurance companies to invest the funds, the types of coverages and the management fees or expenses collected by the insurance companies.

Life insurance policies can be managed in accordance with the following legal frameworks:

Policies that are subject to the Provident Fund Regulations (hereinafter - "Insurance Funds"):

Managers insurance policies: insurance which includes a retirement savings component, comprising contributions made by the employer and employee (severance pay and retirement benefits), where the premium paid for the insurance is allocated to the different risks (mainly death and permanent health insurance) and to a retirement savings. According to the Provident Fund Regulations, managers insurance is approved as an insurance fund according to the Provident Funds Regulations. and entitles the employer and employee to various tax benefits.

Retirement benefits insurance for the self-employed - policies that confer tax benefits on deposits and withdrawals and are subject to the Provident Funds Regulations.

Policies that are not subject to the Provident Fund Regulations:

Individual insurance policies - policies for private individuals for savings purposes only, which are not approved as provident funds.

2.1.1.2 Description of life insurance products

Information about the different Group products in the field of life insurance:

Type of policy ⁴	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
<u>Products that include a savings component - guaranteed return</u>				
"Mixed" policies - guaranteed return	The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65).	By the end of 1990	Life insurance and savings and riders for the policyholder, to the extent purchased.	The insurance amounts, the savings accrued in these policies and the annuities they pay are CPI-linked. The basis for guaranteeing the return is the insurance companies' investment in respect of a significant part of the accrual in designated government (Hetz) bonds, which guarantee linkage to the CPI plus interest ranging from 4% to 6.2%. The Annuity Conversion Factor in these policies is guaranteed and based on the life expectancy as known at the time they were marketed.
Guaranteed return "pension" policies	The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy.			
Classic guaranteed return savings policies	The amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the savings accumulated up to the date of his/her death.			
"Preferred" policies ("Yielding")	Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Funds Regulations and life insurance, and death risk, where the policyholder determines how the premium shall be split between the life insurance and savings components and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company.			

⁴ These products do not involve management fees. Company's profits from these products arise from interest differences between the bonds and actual returns.

Description of the Corporation's Business



Type of policy ⁵	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
<u>Products that include a savings component - participating</u>				
"Mixed" policies - participating	The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65).	Between 1991 and 2003	Life insurance and savings and riders for the policyholder, to the extent purchased.	The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the profits attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed.
Participating "Pension" policies	The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy.			
Classic participating "savings" policies	The amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the savings accumulated up to the date of his/her death.			
Participating "Preferred" ("Yielding", "Abundant") policies	Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Funds Regulations and life insurance, in addition to a death event, where the policyholder determines how the premium shall be split between the life insurance and savings components and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company. These insurance plans were marketed from 1982 to 2003. The ratio between the accrued assets and the annuity that the policyholder may receive (hereinafter - the "Annuity Conversion Factor") in these policies is specified and guaranteed.			

⁵ The insurance company is entitled to fixed management fees at a rate of 0.6% per annum of total assets, plus a 15% rate of the real yield less the fixed management fees (hereinafter - "variable management fees"). If real losses have accrued, the insurance companies are not entitled to variable management fees until the accrued loss is covered.

Description of the Corporation's Business

Type of policy ⁶	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients	
Products that include a savings component - yield-dependent insurance policies					
Policies that include “Track”, “Track for Life”, “New Track” and “Track for Managers and Employees” and “Track for Self-Employed” insurances	Characterized by separation and full transparency regarding the various premium components: The savings amount accumulated in “Track” policies is invested in various investment tracks, as selected by the policyholder from a range of investment tracks offered. In policies sold until the end of 2012, the Annuity Conversion Factor is specified and guaranteed, whereas in policies sold as from 2013, the Annuity Conversion Factor is guaranteed only for policyholders who took out the policy when they were aged 60 or more, except for individual policies, in which the Annuity Conversion Factor is not guaranteed at all.	Since 2004	Life insurance component, savings component and management fees.	The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the profits attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed. In policies sold on or after January 1, 2013, the conversion factor will only be determined when the policyholder retires, based on the mortality tables in force at that time, unless the policyholder was more than 60 years of age when the insurance policy commenced.	
Type of policy	Product description		Marketing period	Main premium components	Linkage terms and annuity recipients
Policies that include risk component only (no savings component)					
Pure risk life insurance	Life insurance in the event of death with no savings component. This insurance guarantees the beneficiary a lump sum or payment in installments to beneficiaries in the event of death. The policy period varies from one to several years. This insurance is sold as a rider (additional coverage) to other life insurance policies or as a stand-alone policy.		n/a	Risk component only	n/a
Permanent health insurance	Guarantees payment of a monthly compensation amount after a waiting period, which starts when the policyholder becomes incapacitated (partially or fully); the policy pays out until the earlier of the end of its term or when the policyholder is once again able to work. Usually, the waiting period is three months. In addition to paying out a monthly compensation amount, the insurance benefits include releasing the policyholder from payment of the premium for other insurance coverages (death, disability, etc.), if any, and from payment of a premium in respect of the policy’s savings component, thereby retaining the policyholder’s rights throughout this period.				

⁶ The insurance company is entitled to fixed management fees in respect of the accrual and to management fees in respect of the premium. For further details regarding the maximum management fee rates, please see the table in Section 2.1.2.1 below.

Description of the Corporation's Business

Type of policy	Product description	Marketing period	Main premium components	Linkage terms and annuity recipients
<u>Savings policies only</u>				
Savings policies⁷	These policies are for private individuals for savings purposes, which are not approved as provident funds. For more information regarding the new investment tracks included in a saving policy under The Phoenix' management, see Section 2.1.2 below. This policy is not subject to the Provident Funds Regulations ⁸ .	n/a	Savings component only	n/a
<u>Group policies</u>				
Group life insurance	Life insurance designed for groups of policyholders, as prescribed in the Supervision of Insurance Business Regulations (Group Life Insurance), 1993. Additional types of insurance may also be included. The premium is paid as a lump sum for the group's planholders.	n/a	Risk component only	n/a
<u>Other</u>				
Other types of insurance	Insurance coverage such as accidental disability, accidental death, professional disability, and more, which account for a small part of total premiums and are immaterial to the Company's business performance.	n/a	Risk component only	n/a

⁷ For further details regarding the maximum management fee rates, please see the table in Section 2.1.2.1 below.

⁸ According to the Provident Fund Regulations, the remaining policies described above are approved as an insurance fund, and entitle the employer and employee or the self-employed planholder to various tax benefits.

2.1.2 Structure of profitability

Basic profits in the life insurance segment stem from the following principal sources:

Underwriting earnings: the difference between the premium collected to cover the risk and the actual cost of the risk (as reflected in claims payouts, including contingent claims and the reserves for the claims, as well as annuity payouts or transfers to reinsurance).

Investment profit / financial margin: in guaranteed-return policies - the margin between the actual return and the return guaranteed to the policyholder. In participating policies: the management fees in respect of the accrual as described above.

Operating profit: the difference between the management fees component in respect of the marketing and operating expenses and actual expenses.

Profits of the life insurance segment as reported in the financial statements are also affected by accounting rules pertaining to revenue recognition and deferral of costs, revaluation of assets, development of actuarial provisions as a result of regulatory requirements, and changes in the actuarial assumptions arising, among other things, from demographic changes that affect longevity, mortality, morbidity, changes in the uptake of pension benefits, changes in the interest rate environment, etc.

The insurance company's profits from the sale of life insurance policies is based mainly on the aggregate performance of the abovementioned components throughout the term of the policy. The extent to which the policies are retained (hereinafter - "Portfolio Retention") therefore plays a crucial role in the profitability of the insurance company over time.

Revenues from investments held against insurance reserves and capital have a significant effect on insurance companies' profits, due to the substantial amounts of the Group's assets and reserves invested in the capital market. Furthermore, changes in the capital market, in the implicit yields and in other investments in the economy have a significant effect on the Group's profits.

Changes in marketing of life insurance products

As part of the permit to market individual life insurance and mortgage life insurance plans, in 2019, the Capital Market, Insurance and Savings Authority has set a mechanism of reimbursement of fees and commissions to insurance companies by agents within one to six years from the date of commencement of insurance in case of policy cancellation or one to three years, subject to a discount of at least 15% or more of the premium for a period of at least six years. As part of a new marketing permit to the institutional entities, a three-year refunding mechanism will come into force in April 2023, provided that the discount to the policyholder will be given for the entire term of the policy, and that it will be a fixed discount. At this stage, it is impossible to assess the effect of the change on the Company.

2.1.2.1 Key characteristics of life insurance and savings instruments

The insurance funds (known as "managers insurance") provide to savers tax incentives, and include various provisions the protect the policyholders in accordance with labor laws.

1. **The insurance coverage:** Life insurance policies that combine life insurance and savings provide considerable flexibility in determining the various components and scope of the insurance coverage. As of the reporting period, the Company does not market life insurance policies that combine life insurance and savings.
2. **Manner of engagement and payment obligations of the financial institution:** In life insurance, the insurance company's obligation towards the policyholder is a contractual undertaking written into to the insurance contract (the policy). In an insurance contract, the insurance company undertakes to pay the insurance benefits when, upon the occurrence of the insurance event, even if there have been changes that were not taken into account when the contract was drawn up, such as an increase in life expectancy.
3. **Returns:** in life insurance policies sold since 1991 and in provident funds, the accrued funds are invested in the free market in various investment channels, according to the saver's choice.
4. **Management fees:** The following table lists the key restrictions on management fees.

Set forth below are the main restrictions placed on management fees in the managers insurance and retirement benefits insurance for the self-employed in accordance with the provisions of the law:

	Managers insurance and retirement benefits insurance for the self-employed
Maximum management fees until 31.12.2012	2% of accrual + 13% of contributions, provided that: deposits are converted using a ratio of 1:10 (*)
Maximum management fees for 2013 (transitional period)	1.1% of accrual + 4% of contributions (**)
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (***)
Maximum management fees collected from planholders with whom the fund lost contact	0.3% of accrual
Maximum management fees collected from annuity recipients through December 31, 2021	0.6% of annuity (**)
Maximum management fees collected from annuity recipients as from February 1, 2022	0.3% of annuity
(*) Applicable to policies issued as from January 1, 2004.	
(**) Applicable to policies issued from January 1, 2013.	
(***) Applicable to policies issued from January 1, 2014.	

2.1.2.2 Impact on competition between the various products

In the long-term savings market, there are several products, with provident funds being the leading products for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; transfer of savings funds from managers insurance to provident products; cancellation of capital provident funds.

Other financial products (individual savings products)

The reporting year saw a continued trend whereby the volume of public investments in savings products such as individual savings policies, that constitute an alternative to other liquid savings products such as: bank deposits, mutual funds, investment provident funds, portfolio management and the like - continued. The attractiveness of individual savings policies stems from several reasons, including: a range of investment tracks with different risk levels, switching between investment tracks does not constitute a tax event, attractive management fees, liquid savings that may be withdrawn at any time, and tax benefits.

The Company believes that the trends in the long-term savings segment may lead to the following:

- Pension funds will continue to be a leading product among long-term savings products.
- The decrease in average management fees in the market will continue.
- To reduce the profits from recipients of annuities as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities (for the amendment to regulations on this subject, please see Section 4.1.6.1.10 below).
- The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.
- Lower profitability of life insurance products.
- Growth in individual savings products will continue.
- Transfer of savings funds to alternative products.

2.1.3 New products

Setting up hosting tracks in a savings policy - during the reporting period, The Phoenix Insurance launched hosting tracks as part of the savings policies under its management; the investment management in those tracks will be carried out by BlackRock, which is a global investment management company. This is an innovative and unique collaboration that allows policyholders, which hold savings policies to benefit from the option to select an investment track that combines global investments in the investment of the policies' assets.

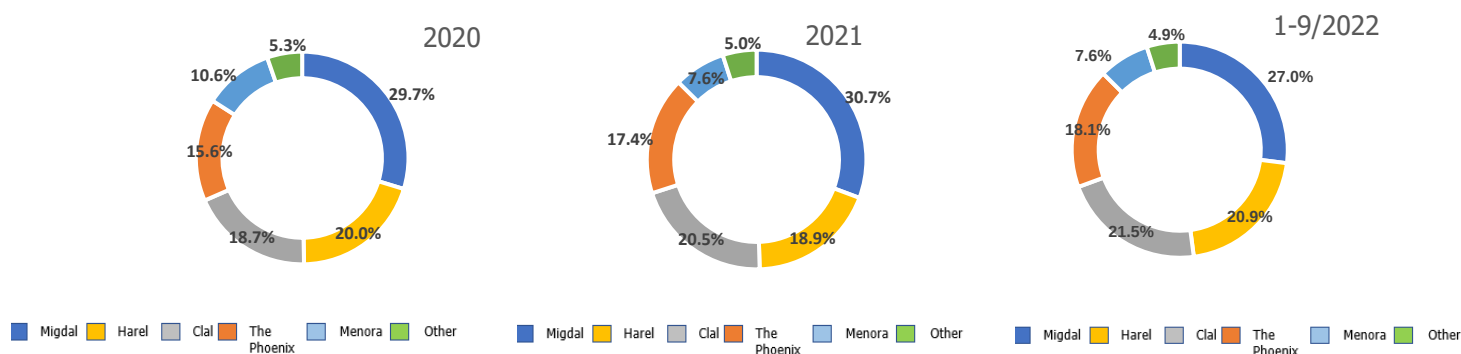
Setting up a "Sharia" track in The Phoenix Supplementary Pension - during the reporting period, a new investment track that operates in line with the rules of Sharia was set up in The Phoenix Supplementary Pension (previously named: the "The Phoenix General Pension"). The investments in this track are in line with Sharia rules and the track's investment policy as set out in the track's bylaws.

Launch of new investment tracks as part of the reform in investment tracks and direct expenses - as part of the reform in connection with the collection of direct expenses and investment tracks in provident funds (for more information regarding the reform, see Section 4.1.3.1.4 below), as from January 2023 the institutional entities are required to set up two new investment tracks: a "combined liquid" investment track, and a "flexible index-tracking" investment track as part of their pension savings products. According to the provisions of the circular, the said tracks were added to the new pension funds and to the savings provident fund managed by The Phoenix Pension and Provident, and to the managers insurance policy under The Phoenix's management.

2.1.4 Competition

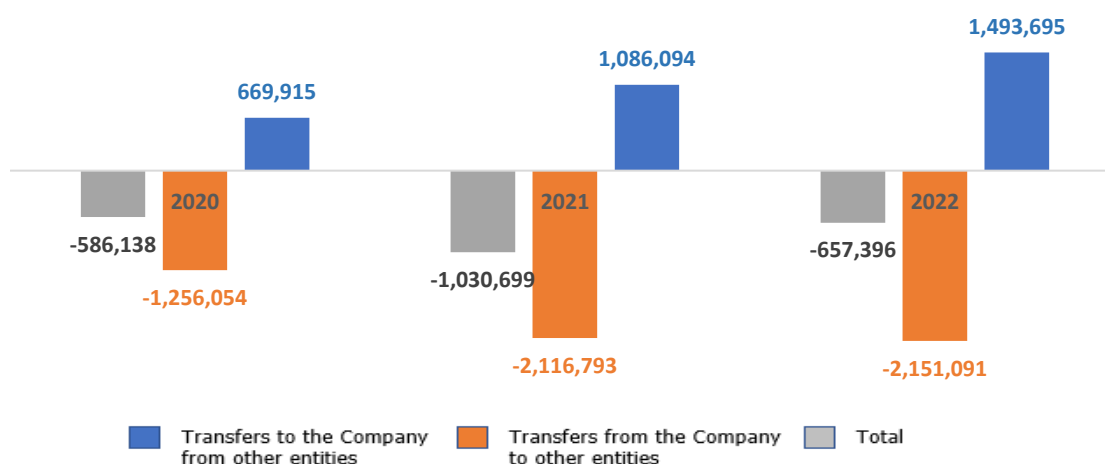
Life insurance - five key insurance companies operate in Israel in the life insurance segment - The Phoenix, Migdal, Clal, Harel, and Menorah, as well as several smaller insurance companies. According to the figures of the Capital Market, Insurance and Savings Authority, these five companies collected approximately 95% of the premiums in this segment in the first three quarters of 2022.

The market shares of the five key insurance companies in Israel out of total premiums in 2020 to September 2022 are as follows (by percentage):



competition between the companies is reflected mainly in the amount of the management fees paid by policyholders, the price of the insurance coverages they purchase, the quality of service, returns on the investments, level and method of compensation in the various distribution channels, and in the development of additional distribution channels.

The following table provides information about the transfer of funds from/to the Company in the life insurance segment from 2020 to 2022:*



*External transfers only (excluding transfers within the Group)

2.1.5 Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the life insurance market. Following are the main provisions:

- Lowering of prices of life insurance products.
- Lowering the management fees in alternative long-term saving products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution commission paid to the pension agent.
- Regulations published in January 2022, which reduced the maximum amount in management fees collected from recipients of annuities to an annual rate of 0.3%, in respect of recipients of annuities in insurance policies for annuities who joined the insurance plan after February 2022 (for more information on this subject, please see Section 4.1.6.1.10 to the Report).
- The reform in connection with collection of investment expenses, and its effect on management fees, as well as the future possibility of collecting variable management fees, although the new regulation in that respect has not yet been published.

Revision of the mortality rates in insurance policies.

The Company believes that these changes may enhance existing trends in the long-term savings segment, as described in Section 2.1.4 above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profits in the long-term savings segment.

How the Group deals with competition

The Group is taking action to address the growing competition in the industry, mainly through the following measures:

- Continued development and improvement of the investment function and quality of investment management.
- Increase in total assets under management, including, among other things, as a result of mergers and acquisitions.
- Operational and organizational streamlining by way of restructuring the Company and its various units, and improving the operational infrastructure in order to develop and enhance the customer relations and service as well as the distribution channels, while developing dedicated expertise in the areas of operation and service. Constantly developing and updating its tracks, products and promotions.
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Structural changes allowing The Phoenix Insurance to develop while reducing the capital requirements to which it is subject.
- Collaborations with international entities such as BlackRock, as described in Section 2.1.3 above.

2.1.6 Customers

Life insurance

The Phoenix Insurance markets its products to a broad range of customers who can be divided into three main categories - salaried employees planholders, individual and self-employed policyholders, and groups. The Phoenix Insurance has no significant dependence on any single customer. The following table provides a breakdown of premiums and contributions towards benefits among life insurance customers (by percentage):⁹

	2022	2021
Salaried employee planholders	25.8	27.6
Policyholders - private individuals and self-employed	73.2	71.4
Collective	0.9	1.0
Total	100	100

⁹ Including insurance contracts and investment contracts (investment contracts are individual policies without an insurance component).

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.2 Property and casualty insurance

Key subsegments of property and casualty insurance

This area of activity includes the Group's operations in the compulsory motor insurance subsegment, the motor property insurance subsegment and other property and casualty insurance, which includes the remaining property and casualty insurance subsegments, such as property, liability, engineering, marine and aviation insurance.

The terms of most property and casualty insurance policies is up to one year, and these policies provide indemnity to the policyholder in the event of loss, depending on the insurance coverage.

2.2.1 Compulsory motor insurance

Compulsory motor insurance consists of coverage for bodily injury resulting from the use of a motor vehicle.

2.2.1.1 Products and services

This subsegment consists of a single product that provides insurance coverage under the Motor Insurance Ordinance (New Version), 1970 (hereinafter - the "**Motor Insurance Ordinance**") for the motor vehicle owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof, and in accordance with the provisions of the Economic Efficiency Law (for further details about the CRAV Law and the Economic Efficiency Law, please see Sections 4.1.8.1.2 to 4.1.8.1.4 below).

Characteristics of compulsory motor insurance:

1. Duty to insure - the Motor Insurance Ordinance stipulates that a person shall not use, cause or allow another person to use a motor vehicle unless his/her or another person's use of the motor vehicle is covered by a policy which is in force.
2. The coverage provided in this product is uniform.
3. Absolute liability with no need to prove blame.
4. Exclusivity of course of action - a road accident victim, who has a cause of action under the CRAV Law, must claim damages only under the CRAV Law, and will have no cause of action under any other law.

5. Limit of compensation - the liability in the policy is unlimited. Nevertheless, the maximum wages for purposes of calculating the compensation due to loss of earnings and loss of earning capacity is limited to three times the average wages in Israel (net), and the maximum compensation for non-financial loss is limited to the amount prescribed in the CRAV Law, which is currently approximately NIS 180 thousand.
6. Date on which the insurance comes into force - the date of commencement of the insurance stated in the insurance certificate, but not before the date on which the insurance certificate was stamped with the bank's stamp.

2.2.1.2 Competition

The compulsory motor insurance subsegment is characterized by intense competition since all insurance companies operate in this subsegment. In recent years new direct insurance companies were established which operate in this segment. Given that the insurance coverage is standard and the size of the market is limited, competition in the compulsory motor subsegment focuses mainly on insurance prices, rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them.

Set forth below is information about the market share of the Company and key competitors in the compulsory motor subsegment, by gross premiums (activity in Israel only) (by percentage):

	January - September 2022	2021	2020
Menorah*	12.4	13.7	14.3
Harel	13.4	12.0	11.2
Shlomo	11.5	13.0	12.8
The Phoenix	12.3	12.4	11.6
IDI	8.1	8.7	9.6
Migdal	7.0	6.7	9.0
Clal	11.9	11.3	10.6
Ayalon	4.9	6.2	7.0
Other companies	18.5	16.6	13.9
Total	100	100	100

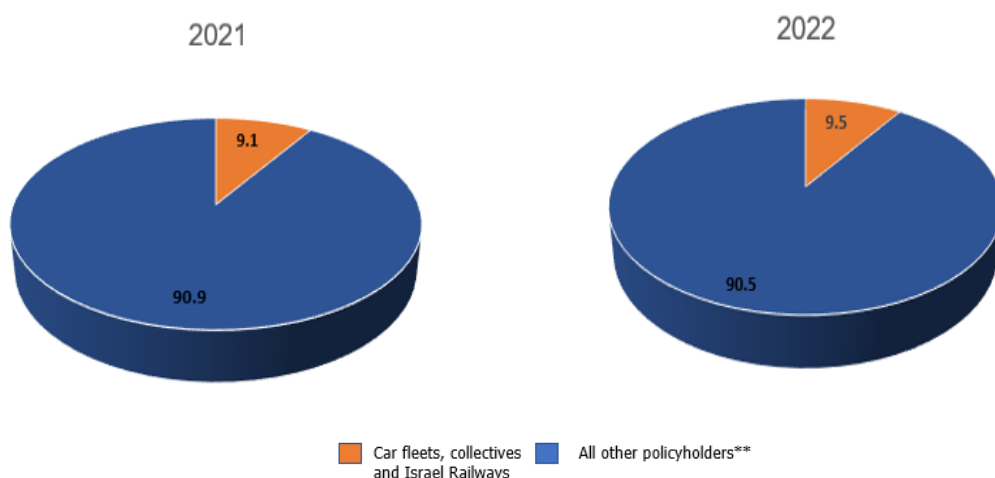
*Comparative figures for Menorah include the operations of Shomera.

The Company copes with competition by working to increase its market share while maintaining the quality and profitability of the portfolio on the one hand, and applying control measures on the other. Furthermore, The Phoenix Insurance diversifies its marketing and distribution methods by engaging in direct sales under the "Phoenix Smart" brand, via digital sales channels and call and service centers.

2.2.1.3 Customers

- The Phoenix Insurance is not dependent on any single customer in the compulsory motor insurance subsegment.
- The Phoenix Insurance has no single customer that accounts for 10% or more of its revenues.
- The Phoenix Insurance's customers consist of private customers, business customers, groups and car fleets.

Breakdown of premiums from customers (gross)* by percentage:



* The figures are based on insurance policy commencement dates.

** Mainly private policyholders.

The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

Customer loyalty and retention:

The rate of renewals in terms of premiums in the compulsory motor insurance subsegment in 2022 was approximately 63% compared with approximately 67% in 2021.

Set forth below are details about customer loyalty in the compulsory motor insurance subsegment in terms of premiums turnover for 2022 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	42	20	13	25	100

2.2.2 Motor property insurance

Motor property insurance consists of coverage for self-inflicted damage to an insured vehicle as well as damage to third-party property resulting from the use of a motor vehicle.

2.2.2.1 Products and services

Motor property insurance (CASCO) is the most common type of voluntary insurance in the property and casualty insurance segment. Motor property insurance covers property damage caused to the insured vehicle (hereinafter - "**comprehensive insurance**") and damage caused to third-party's property as a result of the use of the insured vehicle (hereinafter - "**third-party insurance**"). In this chapter, comprehensive insurance signifies coverage given both in respect of property damage caused to the insured vehicle and in respect of property damage that the insured vehicle may cause to third-party's property.

This subsegment is divided into two categories:

- a. Insurance for private and commercial motor vehicles weighing up to 3.5 tons (hereinafter - "**light commercial vehicle**"). This category is subject to the terms and conditions of a standard motor insurance policy, as explained below.
- b. Insurance for vehicles which are not private or light commercial vehicles. This category is residual and applies to all vehicles that are not included in the first category (e.g. trucks, taxis, motorbikes, tractors, mechanical engineering equipment, etc.). The terms and conditions of the standard policy do not apply to these vehicles.

Characteristics of motor property insurance:

Motor property insurance is voluntary insurance which is not mandatory under law.

The various types of coverages marketed by the Company in the motor property segment: The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damages, property damage caused to a third party, and more. The Company also offers various riders in addition to the basic coverage, such as coverage for risks of earthquake, riots, strikes as well as related services such as towing, replacement vehicle in the event of an accident or theft, coverage for broken windscreen and coverage for headlights and mirrors. The Company also offers a range of riders and specific coverages for electric vehicles, as well as for commercial vehicles that are not light commercial vehicles.

2.2.2.2 Competition

The motor property insurance subsegment is highly competitive, mainly due to the lack of differentiation in the insurance coverage offered by various companies and due to the establishment of new direct insurance companies in recent years. Competition in this segment focuses mainly on insurance prices, the service rendered by insurance companies to their policyholders, riders added to the standard policy, the rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them.

Set forth below is information about the market share of the Company and key competitors in this subsegment, by gross premiums (activity in Israel only) (by percentage):

	January-September 2022	2021	2020
Menorah*	15.0	16.3	17.4
IDI	10.8	11.4	12.9
The Phoenix	14.4	13.3	12.6
Migdal	7.2	6.6	9.5
Harel	12.2	11.0	10.6
Clal	9.5	9.1	8.4
Ayalon	6.2	6.7	7.5
Other companies	24.6	25.5	21.1
Total	100	100	100

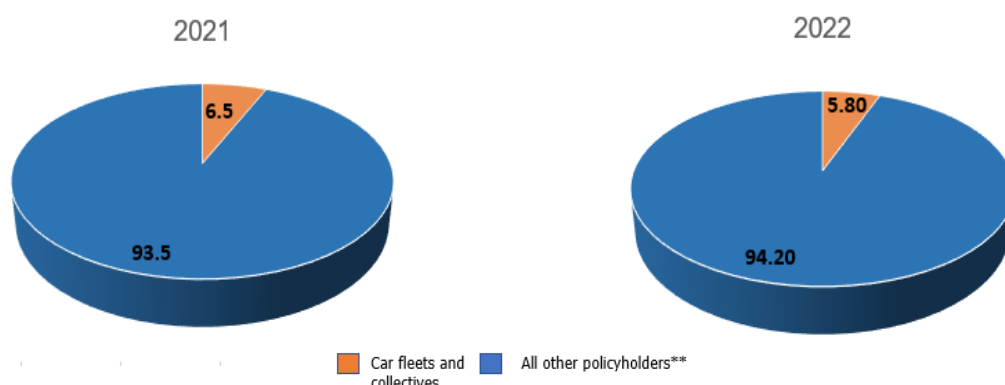
* Comparative figures for Menorah include the operations of Shomera.

To cope with the competition, the Company ensures that it maintains a reasonable level of profitability by applying an appropriate segmented pricing strategy, developing new products, developing new direct and digital distribution channels ("Phoenix Smart"), and recruiting agents. The Phoenix is well positioned in the market of motor insurance for electric vehicles in Israel, upon winning the insurance tender as the official insurer of a number of leading global manufacturers of electric vehicles, and continues to enhance its position in this area in the reporting year. The increase in gross premiums in the reporting period stems mainly from a change in the renewal dates of a large policy in the property loss segment, in which the insurance coverage period exceeds one year.

2.2.2.3 Customers

- The Phoenix Insurance is not dependent on any single customer in the motor property insurance subsegment.
- The Phoenix Insurance has no single customer that accounts for 10% or more of its revenues.
- The Phoenix Insurance's customers in the motor property insurance subsegment consist of private customers, business customers, groups and car fleets.

Breakdown of gross premiums from customers (*) (by percentage)



* The figures are based on insurance policy commencement dates.

** Mainly private policyholders.

The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

Customer loyalty and retention

In 2022, the renewal rate in the motor property insurance segment, in terms of premiums for policies that were in force in the previous year was 65%, compared to 68% in 2021.

Set forth below is information about customer loyalty in the motor property insurance subsegment in terms of premiums turnover in 2022 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	40	20	11	29	100

In the motor property insurance subsegment, customers who also had compulsory motor insurance policies in 2022, 2021 and 2020 accounted for 92%, 93% and 93%, respectively, of all the policies in this subsegment in the relevant years.

2.2.3 Other property and casualty insurance

Other property and casualty insurance consists of a broad range of insurance coverages that can be divided into three key main subsegments: property insurance, liability insurance and other insurance.

2.2.3.1 Products and services

The Phoenix Insurance sells property and casualty insurance products in property, liability and other subsegments, offering insurance solutions as part of a broad range of plans catering to an extensive range of occupations and needs.

Property insurance

In the property insurance subsegment, the Group offers mainly home insurance, building insurance covering the mortgage period, and various types of business insurance.

- a. **Home insurance policy:** this policy is based on the standard policy, and includes a package of riders in addition to the mandatory requirements under the Supervision of Insurance Business Regulations (Terms of Home and Contents Insurance Contracts), 1986. Customers can opt for multiple coverages including building insurance covering the mortgage period, all risks insurance for jewelry and valuables, employers liability insurance, third-party liability insurance, bicycle insurance, terrorism damage insurance, etc.

The Company also offers its policyholders coverage against terrorism risks in respect of their home contents (excluding property tax payout). Payment in respect of this coverage is made in addition to insurance benefits the policyholder is entitled to receive by virtue of the Property Tax and Compensation Fund Law, 1961, according to which the policyholder will be paid compensation due to loss or damage caused to the contents of his/her home due to an act of terrorism.

- b. **Business insurance and large businesses insurance:** this type of insurance is designed to provide insurance coverage in respect of the policyholder's interests in business-related property and buildings and the contents thereof; the insurance covers physical loss or damage caused due to fire and related risks (coverage sold together with coverage for risk of fire, lightning and additional risks, e.g. burglary, natural damages, explosions, earthquakes, to the extent that these coverages are purchased (extended fire insurance policy)). Furthermore, one may purchase coverage for consequential loss, stemming from certain physical damages to the property, i.e., loss of profits.

The Phoenix Insurance generally offers this insurance as part of a comprehensive insurance package that includes, among other things, an option to purchase liability insurance and other types of insurance, such as money insurance, goods in transit insurance, electronic equipment insurance and more. Business insurance is provided under umbrella policies (namely, policies that combine various insurance coverages). Furthermore, the Company has its EXTRA series of policies for offices, stores, workshops and synagogues, which are dedicated policies for various business categories. The coverage for large businesses is provided according to the needs of each customer and, in most cases, the customer works with an insurance consultant who acts on its behalf and defines the needs and, quite often, the wording of the policy as well.

The Company also sells business insurance coverage against cyber crimes; such coverage includes, among other things: reimbursement of compensation paid by the policyholder due to breach of privacy, reimbursement of costs and expenses associated with managing a cyber event, reimbursement of costs associated with responding to a security breach, cyber extortion, loss of income, and data restoration costs.

Liability insurance

- a. **Employers' liability insurance:** this type of insurance covers the employer's (the policyholder) liability towards its employees over the term of the policy in respect of bodily injury sustained by the employee covered under the insurance policy due to an accident or illness during the course of his work or as a result thereof. This policy is event-based. Coverage under these policies is usually residual and applies to amounts payable in excess of payouts by the National Insurance Institute, which is in charge of work-place accidents. In some cases, the limit of liability in policies of this type is pre-determined; however, a higher limit may be purchased based on the policyholder's needs and at his/her request. The liability covered by these policies is usually governed by the Torts Ordinance.
This coverage is sold both as an individual standalone policy (employer liability coverage only), and as part of large business insurance policies, business insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies.
- b. **Third-party liability insurance:** the purpose of this insurance is to protect policyholders against legal liability which they may have towards third parties, for bodily injury or property damage caused due to their negligence, including consequential damages, and which occurred during the policy period. This policy is event-based. The coverage is adapted to the policyholder's activity and the limit of liability is set by the policyholder, at his/her discretion, based on the level of risk to which he/she believes to be exposed. This cover is sold both as an individual standalone policy (third-party liability coverage only), and as part of large business insurance policies, business insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies. The liability covered by these policies is usually governed by the Torts Ordinance.
- c. **Other liability insurance:** liability insurance also includes other products, including professional liability insurance, directors and officers' liability insurance, and product liability insurance.
In contrast to the types of liability insurance listed above, these products offer tail coverage, although such policies usually also refer to the date on which the event occurred (policies based on the date on which the claim were filed with a retroactive date).

d. **Other types of insurance**

In addition to property and liability insurance, The Phoenix Insurance also markets contractors' insurance (for the duration of a project or open policies for one insurance year in respect of all projects during that period), insurance covering mechanical-engineering equipment, mechanical breakdown insurance, refrigerated inventory insurance, cargo in transit and shippers' liability insurance, fidelity insurance, agricultural insurance, investment insurance for home buyers (Sales Law guarantee), electronic equipment insurance, insurance covering production and cancellation of events, clinical trials insurance, flight cancellation insurance, money insurance, goods in transit insurance, works of art, marine, aviation, terrorism acts and cyber insurance.

2.2.3.2 Competition

- a. The other property and casualty insurance subsegment is highly competitive, which is reflected in policies that are tailored to the customers' needs, niche activity, reduced tariffs and the offering of special discounts.
- b. Most Israeli insurance companies compete with The Phoenix Insurance in the other property and casualty insurance subsegment.

Set forth below is data about the market share of the various companies in the other property and casualty insurance subsegment (by percentage):

	January-September 2022	2021	2020
Harel	21.9	21.2	20.8
Clal	15.2	15.6	15.1
The Phoenix	14.3	13.5	13.8
Migdal	8.9	9.5	11.1
Ayalon	12.5	11.4	10.9
Menorah*	12.6	12.6	12.0
Other companies	14.5	16.3	16.3
Total	100	100	100

*Comparative figures for Menorah also include the operations of Shomera.

Set forth below is a breakdown of information by property and liability subsegments:

Other property insurance subsegments (excluding motor property insurance)

	January-September 2022	2021	2020
Harel	20.7	19.3	19.1
Clal	18.1	18.2	17.7
The Phoenix	14.3	13.1	14.4
Migdal	9.4	9.7	11.5
Menorah*	12.5	12.7	11.9
Ayalon	8.5	8.1	7.8
Other companies	16.5	18.8	17.6
Total	100	100	100

*Comparative figures for Menorah also include the operations of Shomera.

Liability subsegments

	January-September 2022	2021	2020
Harel	23.6	23.9	23.3
Ayalon	18.1	15.8	15.4
The Phoenix	14.2	14.0	13.0
Migdal	8.3	9.1	10.4
Clal	11.1	11.9	11.3
Menorah*	12.9	12.5	12.2
Other companies	11.8	12.8	14.4
Total	100	100	100

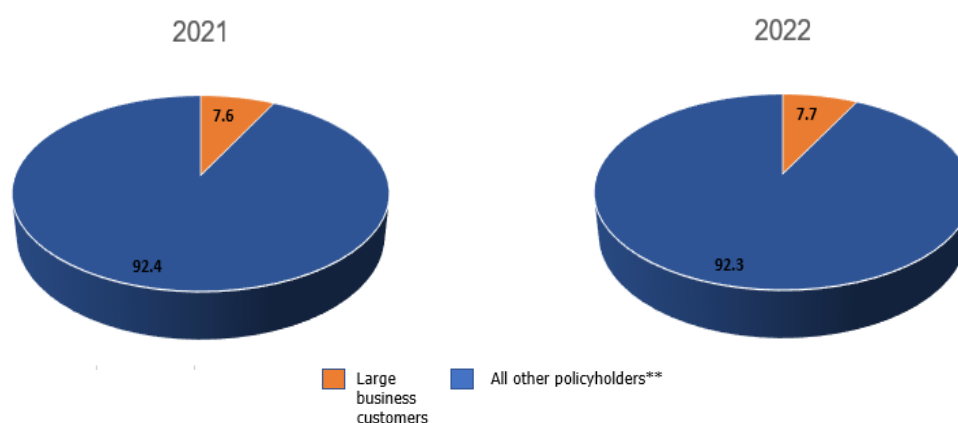
*Comparative figures for Menorah include the operations of Shomera.

The principal methods for coping with competition in this segment include providing high-quality, readily accessible service, entering into niche insurance markets where competition is less intense and the Company can develop its expertise and reputation, customizing policies to customers' needs, and reinforcing the quality of actuarial pricing. Competition in this segment is impacted, among other things, by trends in the global reinsurance market.

2.2.3.3 Customers

- The Phoenix Insurance is not dependent on any single customer in the other property and casualty insurance subsegment.
- Neither does the Company have a single customer in the other property and casualty subsegment that accounts for 10% or more of its revenues.
- The Company's customers in the other property and casualty insurance subsegment are mostly private customers, in addition to businesses and merchants.

Breakdown of premiums from customers (gross) (by percentage):*



* The figures are based on the commencement dates of the insurance policies

"Large business customers" signify policyholders which account for at least 1% of the premiums in the segment.

The renewal rate in the other property and casualty insurance subsegment is relatively high due to the customization of policies to customers' requirements, specialization by the insurance companies and the tendency of customers in this subsegment to remain loyal to one insurance company, in part due to the desire to maintain continuity of the insurance coverage. In the home insurance subsegment, the renewal rate in 2022 was 87%, compared with 85% in 2021 (in terms of premiums received in the current year in respect of policies that were in effect in the previous year).

Set forth below is information about customer loyalty in the home insurance subsegment in terms of premiums in 2022 (by percentage):

Years of customer seniority	Up to one year	One to two years	Two to three years	Three years and up	Total
Distribution of customer seniority	16	11	8	65	100

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.3 Health Insurance Segment

2.3.1 Products and services

2.3.1.1 Overview

Health insurance policies are designed to indemnify or compensate policyholders for medical expenses incurred as a result of decline in health, illness or accident. The illness and hospitalization subsegment also includes long-term care insurance, critical illness insurance, dental insurance, insurance covering sick leave, travel insurance, and personal accidents insurance.

2.3.1.2 Segment's structure and key markets

The Israeli health insurance market is divided into three levels:

The first level comprises the basic basket of health services (hereinafter - the "**Healthcare Services Basket**"), which is provided mainly by health maintenance organizations to all Israeli residents by virtue of the National Health Insurance Law, 1994 (hereinafter - the "**Health Insurance Law**").

The second level, which is an extension of or an alternative for the Healthcare Services Basket, is the supplementary health services (hereinafter - the "**SHABAN**"), which are provided to the public only by health maintenance organizations. This level is subject to the limitations stipulated in the Health Insurance Law.

The third level comprises private health insurance purchased directly from insurance companies and subject to underwriting considerations applied by insurance companies when they issue such insurance to policyholders. Private health insurance is offered both in the form of personal health insurance policies (**individual insurance policies**) and in the form of group policies (**group insurance**). The Group's activity in the health insurance segment includes both individual and group insurance policies.

Individual health insurance (individual and group) is part of the total national health expenditure in Israel. Private health insurance is a growing area of activity, among other things, in light of the gap between the healthcare services provided by the state within the framework of the Healthcare Services Basket and those provided under private health insurance. Private health services include the use of advanced drugs and medical treatments in order to improve quality of life and increase life expectancy; they are provided with high availability and tailored to the specific needs of different population groups, including coverage for transplants, medications not included in the Healthcare Services Basket, surgeries abroad, new medical technologies not included in the Healthcare Services Basket and long-term care services.

The different levels of the health insurance sector in Israel are highly regulated and closely supervised. The legislative arrangements in this sector have changed considerably and, in some cases, are influenced by government policies relating to healthcare, including the expansion or curtailing of the services provided as part of the Health Services Basket.

Individual insurance - these are generally insurance plans offered for long periods (for the policyholder's entire life or up to a pre-determined age), even if the policyholder's medical condition changes during this period.

Most health insurance plans marketed from February 2016 and thereafter are subject to provisions according to which the insurance period is renewed every two years (for the Policyholder's entire life or up to a pre-determined age) (hereinafter - the "**Renewable Policies**").

Some of the Renewable Policies are characterized with the accumulation of considerable reserves during those periods. Changes in actuarial assumptions and forecasts with respect to future risk may lead to material changes in the provision amounts. Due to the considerable weight of the reserves amount, the investment income held against the insurance reserves in this segment has a material effect on profits in this segment.

It should be noted that the renewal was carried out in the reporting year without increasing the premium.

Group insurance - the terms and conditions of group insurance agreements are determined in negotiation between the insurer and the policyholder representing the group, and apply to all the individuals included in the relevant group. Usually, these agreements are signed for pre-determined periods of several years (but no more than five years), and sometimes include a mechanism for adjusting the premium during the policy period. Due to this difference, the tariffs paid for group insurance are generally lower than those paid for similar coverages in individual policies. Some group insurance agreements include insurance continuity when the group insurance agreement terminates or when an individual ceases to be a member of the group (right to continuity).

Long-term care group insurance - In accordance with the Commissioner's Directives, The Phoenix Insurance ceased to sell group long-term care policies at the end of 2017, except for long-term care insurance to HMO members. As from January 2019, The Phoenix Insurance insures the customers of Maccabi Healthcare Services, and according to the agreement, the engagement terminates on December 31, 2023.

2.3.1.3 Principal changes in the health insurance segment

2.3.1.3.1 The reform in health insurance

In February 2023, the Capital Market, Insurance and Savings Authority published the final text of the **health insurance reform**, which is expected to come into force on May 1, 2023 (hereinafter - the "**Effective Date**"). This is a comprehensive and significant reform relating both to the nature and to the scope of the products, as well as to the methods employed in their marketing and management. The reform shall apply to individual health insurance policies that will be taken out as from the Effective Date, and to collective health insurance policies that will be taken out or renewed as from the Effective Date, such that after the coming into effect of the reform, individual health insurance policies will be divided into three groups:

Policies sold until 2016	Policies with terms and premium guaranteed for the entire period of the policy.
Policies sold in 2016-2023	Renewable policies (to be next renewed in June 2024), to which the reform will not apply.
Policies to be sold from May 2023	Renewable policies (to be next renewed in May 2025), to which the reform will apply.

Under the reform, five tiers were established:

The first - a basic health insurance policy that will be composed of three uniform policies that define a uniform and comprehensive coverage in their respective areas: (1) a policy covering transplants and special treatments abroad; (2) a policy covering medicines that are not included in the Israeli health care basket; and (3) a policy covering surgical procedures and alternative treatments to surgical procedures abroad;

The second - policies covering surgical procedures and alternative treatments to surgical procedures in Israel, from the first shekel payable or supplementary healthcare services without deductible or with a NIS 5,000 deductible;

The third, expansion policies for the basic tier, the second tier (surgical procedures and alternative treatments to surgical procedures in Israel) or the fifth tier (critical illness);

The fourth, ambulatory insurance appendixes;

and the fifth - critical illness policy.

In addition, the following key provisions were set: 1. Products from the second and fourth tiers shall be sold on the proviso that the policyholder has taken out a basic health insurance policy (the first tier), and in a manner that will allow the policyholder to purchase a basic policy from one company and other health insurance products from the other tiers from another company, if he/she chooses to do so; 2 Prohibition on the sale

of overlapping insurance in indemnity health insurance products; 3. Imposition of requirements on the marketing entity regarding the presentation of the premium in the process of adding new policyholders, and the imposition of disclosure requirements as part of the sale of a policy covering surgical procedures in Israel; and 4. Prohibition of short-term rebates while setting a fixed-rate rebate for a period of at least ten years, including regarding the provision of rebates that will be renewed in existing and renewable policies.

Introduction of riders and marketing thereof

In February 2023, the Capital Market, Insurance and Savings Authority published an **amendment to the provisions of the circular regarding "Riders and Marketing Thereof"**, in order to adapt the provisions to the reform in the health insurance subsegment. The amendment stipulates, among other things, that riders may be marketed in health insurance so long as the coverage or part thereof as part the rider is not marketed under the health plans in the fourth tier (ambulatory insurance appendices).

2.3.1.3.2 Proposals to the government regarding structural changes that will be raised for discussion as part of the discussions on the 2023 and 2024 economic plan

In November 2022, **the public committee that was set up with the aim of strengthening healthcare services in Israel, and regulating the private and public healthcare system** published its recommendations; the committee was headed by the then Director General of the Ministry of Health, Prof. Nachman Ash. One of the goals of the committee was to reduce the national health expenditure, thereby reducing the cost of living borne by households.

One of the committee's recommendations was to suggest that in order to deal with overlapping insurance between the Supplementary Healthcare Services of the health maintenance organizations and commercial health insurance, the commercial policy will be charged first when a person who has both a commercial policy and Supplementary Healthcare Services claims on his/her insurance. This will lead to a reduction in the premium paid for Shaban plans, since they are required to apply an actuarial balancing out mechanism, and the policyholder will get to utilize all of his/her rights.

This recommendation was reflected in the memorandum of the Economic Plan Law (Legislative Amendments for Implementation of the Economic Policy for Budget Years 2023 and 2024), 2023 (hereinafter - the "Economic Arrangements Law"), which was published in March 2023, and which suggests - in a case where a person holds a policy covering surgical procedures "from the first shekel" with an insurance company, and also has Supplementary Healthcare Services (overlapping insurance) - that if the patient opted to activate the Supplementary Healthcare Services and have the surgical procedure as part of those services, the commercial insurance policy will indemnify the Supplementary Healthcare Services according to the lower of: (1) the price of the surgical procedure for the health maintenance organization as set in the price list of the Ministry of Health or (2) the price as per the surgical procedure arrangement paid by the insurer.

Payment demand appeal - the suggestion includes a mechanism for appealing against the amount of the health maintenance organization's indemnity demand as described above.

Transferring a policyholder from a "first shekel" insurance policy to a surgical procedures policy of the Supplementary Healthcare Services - it is suggested to decide that on the next renewal date of a first shekel surgical procedure policy that will take place in June 2024, the insurance company is required to add - by default - the policyholders who also have Supplementary Healthcare Services to a surgical procedures policy of the Supplementary Healthcare Services instead of the original policy, unless the policyholder informed it, before he/she was transferred, that he/she wishes to stay with the original policy (a first shekel surgical procedure policy). In addition, a policyholder who was transferred to Supplementary Healthcare Services policy will have the option to return to the original policy within a year after his/her transfer, without reassessment of previous medical conditions, and without a qualification period.

It is suggested that those provisions shall apply to surgical procedures policies that will be put in place or renewed as from the law's effective date - September 3, 2023.

Updating tariffs in renewable health insurance policies

Medical expenses policies, which were marketed after 2016, were predefined and marketed to policyholders as renewable policies. However, updating the tariffs of those policies is subject to the approval of the Commissioner. The requirement to obtain the Commissioner's approval obliges companies to make conservative assumptions when pricing the policy and to retain capital accordingly; it will also make it more difficult for the companies to obtain full reinsurance agreements.

In view of the above, in September 2022, the Capital Market Authority published a circular regarding the "Updating of Tariffs in Renewable Health Insurance Policies", which sets conditions whereby the insurance companies will be allowed to update the premium without first obtaining the Commissioner's approval. These terms were designed to balance out the need to update the terms and tariffs of medical expenses insurance policies, against the need to protect policyholders' interests.

For information regarding other legislative changes relating to the health insurance segment in the reporting period, please see Section 4.1.9 below.

2.3.1.4 Description of health insurance plans/principal health services offered

2.3.1.4.1 Insurance covering medical expenses: such insurance plans usually include indemnification in respect of expenses incurred due to surgery, transplants and/or special medical treatment abroad, coverage for medicines that are not included in the Healthcare Services Basket, alternative treatments, medical services that involve the use of advanced technologies, ambulatory medical services, etc., all in accordance with the insurance plans purchased for or by policyholders. Supplementary products are added to these insurance plans, which provide a broad range of options for expanding the insurance coverage, in accordance with the policyholder's needs. It should be noted that as part of the reform carried out in the field of health insurance in 2016, a uniform policy for surgeries was prescribed, and as part of the 2023 reform uniform policies were set for other products: Transplants and special treatments abroad; medicines that are not included in the Israeli healthcare basket; and surgical procedures and alternative treatments to surgical procedures abroad;

2.3.1.4.2 Long-term care insurance (LTC): Insurance for long-term care is designed to cover the costs incurred by individuals who are unable to perform activities of daily living (ADLs),¹⁰ and require special care. Policyholders utilize their entitlement to long-term care insurance benefits primarily in old age. Long-term care insurance plans entitle policyholders to receive monthly benefits upon the occurrence of an insurance event, in accordance with the insurance amount purchased by the policyholder, for long-term care in the policyholder's home or in a nursing home. Coverage is provided for the period specified in the policy upon the occurrence of the insurance event. Some policies in this segment provide benefits for a limited

¹⁰ Activities of Daily Living (ADLs) are six basic daily activities; one's inability to do all or some of those activities defines his/her need for long-term care.

time, while others provide life-long benefits, based on the option selected by the policyholder when taking out the insurance. The importance of this segment stems mainly from the increase in life expectancy and the relative increase in the number of people requiring long-term care. The Phoenix Insurance does not market individual long-term care policies in view of the risks involved in such insurance in its present form, and the complexity of the reinsurance that this segment requires.

2.3.1.4.3 Dental insurance: under dental insurance, the Company issues policies that provide coverage for dental treatments including, among other things, conservative dentistry, orthodontics, implants, and periodontal dentistry. The policy is paid by way of monthly premiums. Dental insurance coverage is sold only as part of group insurance.

2.3.1.4.4 Critical illness insurance: insurance that includes a payout upon diagnosis of a critical illness. The insurance guarantees payment of a one-off amount if the policyholder is diagnosed with one of the critical illnesses listed in the policy. Benefits are paid to the policyholder without any requirement to prove expenses incurred for the purpose of treating the illness; this differentiates critical illness policies from health insurance policies in which the policyholder is entitled to indemnity payments based on reimbursement of expenses. The Phoenix Insurance markets critical illness insurance with a compensation component.

2.3.1.4.5 Sick-leave insurance: this type of insurance provides coverage purchased by employers to ensure that they are indemnified for expenses they incur in respect of sick leave benefits payable to their employees under the Sick Leave Law. The Phoenix stopped marketing or renewing sick leave policies as from November 2022.

2.3.1.4.6 Travel insurance: The Phoenix Insurance sells a travel insurance policy - "Phoenix Smart Travel Insurance", which is a modular travel insurance policy comprising a uniform basic policy and optional riders, which enable to adapt it to the traveler's needs, according to their travel style and existing medical condition;

In view of the decline in Covid-19 infections and the return to normal travel levels, in the reporting year there was a significant increase in the number of travel insurance policies sold (a 271% increase), compared with the corresponding period last year, and a 3.7% increase compared with 2019.

In the reporting year the Company upgraded the quality of its travel insurance products, including, among other things, as follows:

- a. Launch of a new travel app that provides advanced services for policyholders traveling abroad through the Company, and coordination services between policyholders and doctors/surgeries abroad through Air Doctor Ltd. For more information, see Section 2.4.3 below.
- b. A travel center was set up that consolidates under one roof all parties dealing with travel policies, that allows good utilization of the synergy between those parties, and as a result swift, efficient and accessible dealings with policyholders and agents.

2.3.1.4.7 Insurance of Personal Accidents (for a period exceeding one year):

As from May 2021, The Phoenix does not market the personal accidents product.

2.3.2 Structure of profitability

In the health insurance segment, profits are generated, among other things, by applying a proper and strict underwriting process to policyholders, proper pricing of the various products, while taking into account the costs of inputs of the various health indices, and efficient medical procurement activity. It should be noted that the profitability of individual insurance has a higher inherent risk due to, among other things, the prolonged coverage period (normally a significant number of years) and the lack of flexibility with respect to making changes both to the policy's terms and to the insurance tariffs. This is especially relevant for policies marketed since February 2016, with respect to which the Commissioner has the power to demand that changes are made to the insurance terms in relation to existing policyholders on renewal dates. Segment results are also affected by interest rates and capital market fluctuations, which have a major effect on investment income, and on long-term insurance reserves, primarily in the long-term care subsegments. In addition, the results of this subsegment have a significant effect on The Phoenix Insurance's solvency ratio. For further details, please see Section 2.1.5 to the Report of the Board of Directors. For information regarding the updating of the tariffs of health insurance policies, see Section 2.4.1.3 above.

2.3.3 New products

The Phoenix Insurance's travel insurance app

In January 2022, The Phoenix launched a new travel app that provides advanced services for policyholders traveling abroad through Air Doctor Ltd. The app allows policyholders to contact a physician with the click of a button, according to location. The policyholder can choose how to receive the service, summon the physician for a visit at the hotel, book an appointment at a clinic or schedule a video conference call, including receiving a prescription, all without the need to fill out forms or make a payment. In addition, the app allows policyholders to carry out a range of other actions, such as submitting a claim, viewing the insurance details page, contacting the insurance company in case of an emergency, and repurchasing the insurance product. In the reporting year, the app was upgraded and the digital services provided to policyholders through the app were expanded; for example, "green tracks" were set up for baggage and medical expenses claims; as part of those tracks, insurance benefits are paid in a swift and accessible manner via the "Bit" app in collaboration with Bank Hapoalim.

The Phoenix's private healthcare insurance app

In June 2022, The Phoenix launched its "The Phoenix Private Healthcare" app, which is aimed at policyholders who hold an "advanced technologies and ambulatory medical services" policy; policyholders may use the app to coordinate and book appointments for consultation with medical specialists in the relevant field, from a range of doctors, through Air Doctor Ltd.; the app also allows policyholders to book an appointment for a CT or MRI scan without filling out forms or paying.

2.3.4 Competition

The key competitors in this segment are Harel, Clal, Migdal, and Menorah, and the Supplementary Healthcare Services of the health maintenance organizations (SHABAN). In group insurance, which are usually decided upon through a tender process, the large number of participants intensifies competition, which is reflected, among other things, in the erosion of rates.

As detailed in the following table, The Phoenix Insurance has the second largest market share among Israeli insurance companies.

The health insurance reform that entered into force in February 2016 prescribed a standard policy for surgeries in Israel; the additional reform that is expected to come into force in May 2023 also prescribes standard policies in the following fields: (1) transplants and special treatments abroad; (2) medicines that are not included in the Israeli healthcare basket; and (3) surgical procedures and alternative treatments to surgical procedures abroad. Furthermore, the Authority publishes a calculator for comparing prices of health insurance policies offered by the various companies. The standard policies and the calculator intensify the competition in the segment.

Set forth below¹¹ is information about the market share of the Company and key competitors in the health insurance subsegment, by earned gross premiums (by percentage):

Company	January-September 2022	2021	2020
Harel	38.6	38.8	37.7
The Phoenix	19.9	19.8	21.2
Clal	10.4	10.2	9.9
Migdal	12.0	12.4	12.6
Menorah	12.2	11.8	11.4
Yeter	6.9	7.1	7.3
Total	100	100	100

In 2021, there was a decline in The Phoenix's market share, since in April 2020 the shareholders in the David Shield agency founded a new insurance company, which received an insurer license and began marketing insurance plans to Israelis staying abroad. As of that date, The Phoenix ceased to sell such insurance plans and, in accordance with an agreement signed between the parties, in January 2021, the existing insurance portfolio was transferred from The Phoenix to David Shield Insurance Company Ltd. and the engagement therewith was terminated.

2.3.5 Customers

Health insurance customers can be divided into three main categories:

- (a) **Private individuals:** Illness and hospitalization insurance plans for individual customers are typically whole-life insurance plans. Under individual policies, the policyholder may cancel the policy at any time.
- (b) **Group insurance:** The Phoenix Insurance enters into group insurance policies with entities, workers' unions, and major Israeli corporations, under which it provides employees of these companies and their families with health and dental insurance. The term of illness and hospitalization insurance plans for customers in group insurance is fixed, mostly up to 5 years. Entities that enter into group insurance plans normally use the services of expert external insurance consultants, and their insurance policies are more diversified, in accordance with the customer's specific requirements. Additionally, group insurance rates are lower (at the policyholder level) due to volume discounts, due to the fact that the policy period is fixed, as well as since agreements often include a price adjustment mechanism. Under group insurance plans, all policyholders are normally not tested for pre-existing medical conditions and are exempt from a qualifying period.

¹¹ The figures in this table are based on a sectors report from the Commissioner's website.

- (c) **Members of HMOs:** The Phoenix Insurance provides group long-term care insurance services to the members of Maccabi Healthcare Services (hereinafter - "**Maccabi**"), including operational services for long-term care policyholders of Maccabi Magen - Mutual Medical Insurance Association Ltd.

According to the agreement with Maccabi, The Phoenix Insurance manages and settles claims by policyholders, including adding new policyholders to the policy. Furthermore, The Phoenix Insurance holds in trust the funds accrued for the policyholders in a policyholders' fund and manages them in accordance with the terms and conditions of the tender (hereinafter - the "**Policyholders Fund**"). The term of the agreement is five years from January 1, 2019 until December 31, 2023 (hereinafter - the "**Agreement Period**"); Maccabi and The Phoenix Insurance are entitled to extend the Agreement Period by additional periods (up to three years in total).

The number of Maccabi members covered by long-term care insurance through Maccabi is approximately 1.6 million. The total annual premium amount for the reporting period is approximately NIS 1.1 billion. The Phoenix Insurance pays 20% of the total insurance benefits, and the Policyholders Fund pays 80% of the total insurance benefits. Accordingly, the premium that The Phoenix Insurance is entitled to is for 20% of the insurance risk and for operating the insurance plan. Furthermore, The Phoenix Insurance entered into proportional reinsurance contracts with several reinsurers to hedge and diversify the risk it is exposed to.

Set forth below is a breakdown of premiums from customers (gross) in 2021-1-9.2022 (in percentages)

	1-9.2022	2021
Private customers:		
Health	35	34
LTC	9	10
Total private customers	44	44
Group customers:		
Health	20	20
LTC	0	0
Total group customers	20	20
HMO members	36	36
Total	100	100

In the reporting year, the Group did not have a single customer, total revenues from which constitute 10% or more of the total amount of Group's revenues from health insurance premiums.

The rate of policy cancellation for private long-term insurance policies in the health segment, in terms of premiums¹² was 10.4%, 9%, and 11.2% in 2022, 2021 and 2020, respectively. In the long-term care segment - the rate is 2.5%.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

¹² Private insurance policies only. Excluding critical illness insurance, LTC insurance and foreign travel insurance.

2.4 The field of asset management - pension and provident

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Fund.

In addition, the Group manages - through The Phoenix IEC Central Severance Fund Ltd.¹³ (hereinafter - "**IEC Gemel**") - the central provident fund for annuity of Israel Electric Corporation employees¹⁴.

Since the Company views asset management as comprising short-term asset management through The Phoenix Investment House, and asset management in the medium and long-term through The Phoenix Pension and Provident and IEC Gemel, the Company decided to classify pension and provident asset management as a separate segment.

In the reporting year, the transfer of IEC Gemel's shares from The Phoenix Advanced Investments (formerly - Halman Aldubi Investment House Ltd.) to the Company (via direct holding) was completed. As of the report date, the Company holds - directly and indirectly - 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of IEC Gemel.

Key characteristics of the pension and provident instruments

The state encourages saving through the pension savings products - pension funds and provident funds - mainly by way of giving tax incentives to savers, through various provisions in labor laws, and by securing a returns on the investment of some of the planholders' funds, and in some of the products.

A. Insurance coverage: The pension plans combine insurance coverage and savings, but the insurance coverage is limited to the basic events of retirement, disability, or death. Provident funds, on the other hand, offer only a savings component and do not provide insurance coverage. Nevertheless, as from July 2013, provident funds may offer their planholders insurance coverage as part of group and individual policies.

B. Manner of engagement and payment obligations of the financial institution: In a pension fund and/or provident fund, the planholder undertakes to comply with the fund's rules and regulations which define the rules for entitlement to payment, the rate of payment, etc. In a pension fund, there is mutual guarantee between the planholders. The actuarial assumptions which form the basis for planholders' rights are reviewed from time to time according to actual circumstances, and if these assumptions change, for better or worse, the planholders' rights change, and they bear jointly any actuarial surplus or deficit the fund may have.

¹³ As from July 4, 2022, Halman-Aldubi IEC Gemel Ltd.'s name was changed to The Phoenix IEC Central Severance Fund Ltd.

¹⁴ The management of the central provident fund for annuity of Israel Electric Corporation employees is carried out in accordance with the management services agreement signed with the Israel Electric Corporation Ltd., which was extended through the end of 2025, when it was amended in March 2022, with the addition of an option for the IEC to extend the agreement by further 5 years.

C. Returns: As from October 2022, the comprehensive pension funds benefit from a guaranteed return of 5.15% as part of investing approx. 30% of planholders' funds. For more information about the reform in designated bonds for pension funds, see Section 4.1.6.1.13 below.

D. Management fees: For details regarding restrictions on management fees, see table in Section 2.1.6.2.2 below.

2.4.1 Products and services

2.4.1.1 Pension segment

2.4.1.1.1 General

The pension fund (hereinafter - the "**Fund**") enables its policyholders to save for pension in the long term (old-age pension) and also provides coverage for disability (disability pension) and death (survivors' pension). The Group's activity in the pension segment is carried out through The Phoenix Pension and Provident.

The pension fund provides the following insurance coverages:

- (1) Old-age pension: an annuity paid to planholders from the date of their retirement throughout their life.
- (2) Disability pension: a pension paid to planholders who are work-incapacitated, based on a decision of the fund's medical committee. The annuity amount is determined as a percentage of the qualifying income for disability and survivors benefits, as defined by the fund's rules and regulations and in accordance with the degree of disability. Additionally, a planholder who becomes disabled may be "released" from contributions to the fund so long as he/she remains disabled. This means that the fund continues to credit his/her account with contributions during that period, as if he/she had made the contributions themselves, in accordance with the degree of his/her disability.
- (3) Survivors pension: an allowance paid to the survivors (widow/er and orphans younger than 21) of a planholder who dies during the period in which he/she was insured or after he/she retires. As in the case of the disability pension, the survivor's pension is a percentage of the qualifying income for disability and survivors benefits, as defined in the fund's rules and regulations.

There are three categories of pension funds - old pension funds (under special/ordinary administration), new comprehensive pension funds, and new general pension funds:

- (1) **Old pension funds** - in the past, these funds benefited from the issuance of designated bonds bearing guaranteed interest at a rate of 5.57% to cover at least 93% of their liabilities. Any remaining balance was invested in voluntary investments in accordance with the Provident Funds Regulations. As part of the 1995 the pension funds reform, the purpose of which was, among other things, to reduce the funds' deficits and to balance out the funds' assets and liabilities, the old pension funds were closed to new planholders, and the proportion of designated bonds was reduced. As a result of the reform, there are currently two classes of old funds - balanced old pension funds (10 funds) and pension funds under special government administration (8 funds).
- (2) **New comprehensive pension funds** - as of the report publication date, there are 9 comprehensive pension funds operating in Israel.

These new pension funds started operating in 1995 following the aforementioned reform, whereby new planholders will be enrolled in new pension funds to be established as of that. The new comprehensive pension funds are entitled to various benefits from the government, including tax benefits as per the Income Tax Ordinance, the Provident Funds Law and the Provident Funds Regulations, and are entitled to invest some of the fund's assets (up to 30%) in designated bonds that guarantee a real annual yield of 4.86%. When crediting to planholders the yields arising from the designated bonds, funds make a distinction between planholders receiving an annuity, planholders who are older than 50, and other planholders, as per the provisions of the law.

In accordance with the Yield Imputation Regulations, as from July 2017, 60% of the designated bonds are allocated to retirees, and the remaining balance are held against actuarial liabilities of active planholders, provided that the total proportion of designated bonds does not exceed 30% of the funds' total assets under management. As of June 2018, the new comprehensive pension funds operate according to unified rules and regulations that apply to all of the aforesaid pension funds.

In November 2021, an amendment was enacted, which supersedes the existing mechanism for ensuring the stability of pension fund savings in the old and new pension funds through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the said legislative amendment, as of October 2022, in lieu of designated bonds, the state will undertake to supplement pension

fund returns up to a rate of 5.15% for pension funds assets accumulated since the amendment's effective date, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market. For more information, including the amendment's effective date, see Section 4.1.6.1.13 below.

Contributions into a new fund are capped at the equivalent of 20.5% of double the average wage in Israel. Currently, the maximum rate of management fees is 6% of the contributions towards benefits and 0.5% of the accrual.

- (3) **New general pension funds** - contributions into a new comprehensive pension fund are capped at the equivalent of 20.5% of double the average wage in Israel. Savers who wish to contribute higher amounts, may do so in new general pension funds. Those funds were not eligible for designated bonds, and accordingly they are also not eligible to the supplementation of returns to up to 5.15% as is the case in a comprehensive fund since October 2022. In new general funds, contributions are not capped, and one-off contributions may also be made. Furthermore, a new general fund does not have to provide the insurance coverages mentioned above, and as such, some of these funds only provide old-age pension. As of the report publication date, there are 9 new general pension funds operating in Israel. The maximum rate of management fees that may be collected in a general pension fund is 1.05% of the accrual and 4% of the contributions. For further details about management fees and changes therein, please see Section 2.1.2.1 below.

The contributions towards benefits received from pension fund planholders are divided into the following components: life insurance (if insurance coverage was purchased), savings, and management fees. Pension fund management companies generate their revenues from the management fees they collect (calculated as a percentage of the contributions towards benefits and the accrual).

In pension funds, claims are paid out of the fund, namely, from the planholders' assets, such that the policyholders are the ones to bear the risks arising from the claims. It should be noted that the new funds are required to apply an actuarial balancing out mechanism every quarter, which adjusts the actuarial liabilities to the fund's assets.

The Phoenix Pension and Provident manages the following funds:

"The Phoenix Comprehensive Pension" is a comprehensive pension fund established in 1995. The pension fund operates various insurance tracks offering various levels of insurance coverage and various types of payouts upon reaching retirement age; the fund also offers planholders several investment tracks to choose from.

The Phoenix Supplementary Pension (previously named: the "The Phoenix General Pension") is a new general fund established in 2000. The fund operates in conjunction with the comprehensive pension fund and contributions in excess of the aforesaid cap are deposited with it. The fund was not eligible for designated bonds, and accordingly is also not eligible to the commitment to supplement the returns to up to 5.15% as is the case in a comprehensive fund since October 2022; however, the fund does not cap the amounts that may be deposited, and one may make one-off deposits with the fund.

"Amit" - an old balanced pension fund, which was closed to new planholders in 1995.

"Magen" - an old balanced pension fund, which was closed to new planholders in 1995, and was transferred to the management of The Phoenix Pension and Provident as part of the merger of Halman Aldubi Provident and Pension Funds Ltd. into The Phoenix Pension and Provident.

"Attorneys Pension Fund" - an old balanced pension fund, which was closed to new planholders in 1995, and was transferred to the management of The Phoenix Pension and Provident as part of the merger of Halman Aldubi Provident and Pension Funds Ltd. into The Phoenix Pension and Provident.

Set forth below are key data regarding the pension funds under The Phoenix group's management in the reporting year:

Fund	Management company	Year on which fund was established	Type of fund	Contributions towards benefits for 2022 in NIS million	Assets as of December 31, 2022 in NIS million
The Phoenix Comprehensive Pension		1995	Comprehensive pension	7,481	61,070
The Phoenix Supplementary Pension	The Phoenix Pension and Provident Fund Ltd.	2000	New general	773	2,338
Amit Yessod (Pension Fund for Senior Planholders)		1992	Old balanced	16	1,706
Magen (Pension Fund for Senior Planholders)		1952	Old balanced	3	572
Attorneys Pension Fund (Pension Fund for Senior Planholders)		1979	Old balanced	8	718
Total				8,280	66,404

The contributions towards benefits are current contributions only, and do not include transfers of accruals in respect of planholders' transitioning to the pension funds from other pension funds. Money transferred to the Group's pension funds in 2022 (including transfers for unification of accounts) totaled NIS 12,509 million and, on the other hand, money transferred from the Group's pension funds to other funds totaled NIS 3,111 million.

2.4.1.1.2 Structure of profitability

Management companies in the pension segment generate their revenues from management fees they collect (from contributions towards benefits and from accruals), and the profits are the difference between the net management fees (after discounts, if any) and the management company's actual operating and marketing expenses. It should be noted that in recent years there has been an erosion in management fees as a result of various reforms and increased competition in the industry. In this context, in September 2021, the Commissioner published a document dealing with the **results of the third procedure for determining selected pension funds**, which includes a notice as to the Commissioner of the Capital Market, Insurance and Savings' selecting four new pension funds that will be used as "default funds", rate of management fees to be collected and the terms attached thereto, in respect of the period spanning from November 1, 2021 to October 31, 2024.

Amounts paid out by pension funds in respect of claims (including payment of annuities) have no direct effect on the management company's profits, since the insurance is mutual and the risks arising from the claims are borne by the planholders.

In pension funds, the entire yield arising from investment of planholders' funds, less the management fees from accruals, is credited to the planholders, and therefore - the effect of investment performance on the profits of the pension fund's management company is limited to the indirect effect derived from the total assets under management by the pension fund, which forms the basis for the management fees on assets under management collected by the pension fund's management company. It should be clarified that the management fees from amounts deposited (continuations towards benefits) are not affected from the accrual amount and from the results of the investments, but rather only from the amounts of contributions. Furthermore, there are investment gains on the management company's nostro portfolio.

2.4.1.2 Provident funds segment

2.4.1.2.1 General

Provident funds offer savers (hereinafter - "**planholders**") an additional option for long-term or mid-term savings, entitling them to various tax benefits and the option (under certain conditions) to withdraw accrued funds as a lump sum. Provident funds and advanced education funds are managed through The Phoenix Pension and Provident, and the central provident fund for annuity of Israel Electric Corporation employees is managed

through **The Phoenix IEC Central Severance Fund Ltd.** (hereinafter - "**IEC Gemel**"). The objective of the fund is to enable the IEC to pay only annuity payments to eligible employees, as defined in the fund's bylaws, in accordance with the IEC's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements with the eligible employees, generally accepted accounting principles and the fund's bylaws. The group of eligible employees is a defined and closed group, and the rights of those employees are derived from the number of their years of service and the salary used to calculate their pension rights. The rights are for an annuity and disability and survivors pensions. The fund has an actuarial balancing out mechanism, under which the IEC's actuarial obligation is assessed against the fund's assets on a monthly basis, and funds are transferred in order to ensure balancing-out in accordance with the fund's bylaws and the provisions of the law.

Set forth below are the types of provident funds managed by the Group:

Fund type	Nature of fund	Summary of terms for withdrawal from fund
Provident fund for savings - funds for retirement benefits	Long-term provident fund. In these funds, both the employer and the employee make regular monthly contributions deducted from the employee's salary, whereas for self-employed planholders, only the planholder contributes into the fund.	- Amounts deposited <u>through</u> December 31, 2007 may be withdrawn as a lump sum at the age of 60 or on other dates, in accordance with the provisions of the law. - Amounts that were deposited <u>as from</u> January 1, 2008 may be withdrawn as an annuity. The withdrawal of funds accrued in excess of the amount required to pay the minimum annuity shall be done in accordance with the planholder's decision, whether by the capitalization of an annuity, or by payment of an annuity after a transfer to a pension or insurance fund. - Redemption of severance pay funds on the date of termination of employer-employee relations, in accordance with the provisions of the law.
Advanced education fund	Mid-term fund. The funds are designed for the employee's training or any other purpose in accordance with the fund's rules and regulations, and the provisions of the law.	For training purposes from the end of the third year of their enrollment in the fund; after six years of enrollment, the funds may be withdrawn for any purpose.
Personal severance pay provident fund	Fund for varying terms, depending on the periods of employment and planholder's preferences.	Regarding contributions made from January 2008 and thereafter, these funds also function as savings provident funds, but severance pay may be withdrawn as a lump sum, even if contributions were deposited with the fund in 2008 and thereafter, upon termination of the employer-employee relations and in accordance with the provisions of the law.
Central severance pay fund	A fund in which employers accumulate funds to guarantee the payment of severance pay to their employees. In these funds, the planholder is the employer, which accumulates the funds in its own name on behalf of all of its employees (these funds were closed to contributions in 2011).	The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law.
Sick pay fund	A provident fund designated to accrue funds by the employer in order to secure its employees' rights to receive sick pay.	Withdrawal of funds is possible in the event of employee's sickness, and subject to the provisions of the law.
The Phoenix Gmula Minimum yield-guaranteed	A fund that guarantees a minimum rate of return to its planholders in accordance with the fund's rules and regulations. These funds are no longer open to new planholders.	In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits.
Self-Directed provident funds and advanced education funds	Through which the planholder or a portfolio manager acting on his/her behalf can manage these types of self-employed planholders' saving funds that are defined in the regulations, as well as funds deposited with advanced education funds, subject to investment restrictions to be observed by the management company charged with the management of the savings. As from June 2017, the amount of contributions towards benefits in a self-managed provident fund is capped; as of the date of this report, this amount stands at NIS 5.8 million. It should be noted that in the reported year the Company completed the sale of "The Phoenix Self-Directed Provident Fund - formerly IBI", "The Phoenix	In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits and advanced education funds.

Description of the Corporation's Business



	Self-Managed Advanced Education - formerly I.B.I", and "The Phoenix Self-Directed Provident Fund - formerly Excellence" - to Global Net Provident Fund Management (G.N.P.F.M) Ltd.	
Investment provident fund	A savings provident fund which was first marketed in late 2016; the total amount of contributions towards benefits in such a fund is capped at NIS 70,000 per calendar year (CPI-linked).	planholders may withdraw funds from an investment provident fund at any time with no obligation to wait until retirement age. However, early withdrawals are subject to tax on the total real profits accrued.
Child long-term investment provident fund for savings	Provident funds with which the National Insurance Institute of Israel has been depositing every month - since January 2017 - NIS 50 for every child entitled to a child allowance until the child reaches the age of 18. The parents can increase the sum of the savings by further NIS 50 out of the child allowance funds paid by the National Insurance Institute. Until the child reaches the age of 21, the National Insurance Institute will pay the management fees in respect of the savings with the provident fund; thereafter, the fees will be paid by the planholder.	Withdrawal of the accrued funds is possible when the child reaches the age of 18; if the child does not withdraw the funds until he/she reaches the age of 21, the child will receive a NIS 500 grant from the government.
Central provident fund for annuity	A provident fund designed for a single planholder - an employer planholder; the objective of such a fund is to pay annuity to the employees of that employer planholder, who are entitled to receive an annuity. The employer pays annuity payments through the fund to eligible employees, as defined in the fund's bylaws, in accordance with the employer's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements and the rules set in the fund's bylaws and the legislative arrangement.	The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law.

Companies managing provident funds generate their revenues from the management fees they collect on the assets. For further details about the management fees in The Phoenix funds, please see below in this section. Given that the management company does not charge management fees as a percentage of profits, the effect of the return on management fees income is indirect, and stems from the effect of the return on total assets under management, which forms the basis for collecting the management fees.

Provident funds managed by the Group

Set forth below are the details of The Phoenix Pension and Provident:*

Fund	Fund type	Year founded	Contributions towards benefits in 2022 (in NIS million)	Net accrual in 2022 (in NIS million)	Assets under management as of Dec. 31, 2022 (in NIS million)
The Phoenix Provident	Benefits and severance pay	1979	908	2,783	28,519
The Phoenix Advanced Education	Advanced education	2000	2,922	3,565	28,786
Excellence Central Severance Pay	Severance pay	1965	-	-92	1,119
The Phoenix Investment Provident Fund	Savings provident fund	2016	855	828	3,467
The Phoenix Gmula Minimum Yield-Guaranteed	Benefits and severance pay	1974	8	-28	1,016
Excellence Gemel Multi Track Severance Pay	Severance pay	2016	-	3	238
Excellence Investment Provident Fund for Savings for Each Child	Savings provident fund	2017	164	131	999
The Phoenix central provident fund for participation in budgetary pension	Central provident fund for participation in budgetary pension	2015	-	-	-
The Phoenix Sick Pay Fund	Sick pay provident fund	2004	-	-	4
Phoenix Self-Managed Advanced Education	Self-directed advanced education fund	2011	28	31	536
Phoenix Self-Managed Provident Fund	Self-directed provident fund	2011	-	-12	1,431
Total			4,885	7,209	66,115

* On May 1, 2022, the Company completed the sale of "The Phoenix Self-Directed Provident Fund - formerly IBI", "The Phoenix Self-Managed Advanced Education - formerly I.B.I", and "The Phoenix Self-Directed Provident Fund - formerly Excellence" - to Global Net Provident Fund Management (G.N.P.F.M) Ltd.

In 2022, net accrual increased compared with 2021 (from accrual of NIS 9,116 million in 2021 to accrual of NIS 7,209 million in 2022). In 2021, monies transferred to the Group's provident funds totaled NIS 11,986 million, whereas monies transferred from the Group's provident funds to other funds totaled NIS 6,747 million.

Below are details of the Group's main annuity provident funds managed by the Group:

Fund	Fund type	Year founded	Contributions towards benefits in 2022 (in NIS million)	Net accrual in 2022 (in NIS million)	Assets under management as of Dec. 31, 2022 (in NIS million)
Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees	Central provident fund for annuity	2020	4	(198)	3,450
Central provident fund for annuity of System Operator Company Ltd. employees		2020	1	0*	350
Central provident fund for annuity of Ashdod Port Company Ltd. employees		2021	1	(52)	110
Central provident fund for annuity of Israel Electric Corporation employees		2005	1,021	(2,860)	38,274
Total			1,027	(3,110)	42,184

*NIS 343 thousand.

2.4.1.2.2 Structure of profitability

In the provident funds subsegment, the management company's principal source of profit is the difference between the income from management fees collected and the selling, operating and service expenses incurred by the management company. It should be noted that in recent years there has been an erosion in management fees as a result of various reforms and increased competition in the industry.

In the provident funds subsegment, the entire net yield (net of investment expenses) arising from investment of planholders' funds, less the management fees from accruals after discounts, is credited to the planholders, and therefore the effect of investment performance on the management company's profits is limited to the indirect effect derived from the total assets under management by the provident fund, which forms the basis for the management fees collected by the management company. For further details regarding maximum management fees, please see Section 2.2.1.3 below.

In this context, it should be noted that The Phoenix Pension and Provident manages, among other things, a yield-guaranteed provident fund - "Gmula". According to the rules and regulations of this fund, the maximum rate of management fees that may be charged in the fund's guaranteed return tracks is 2% of the accrual. Since this is a minimum yield-guaranteed fund, the management company is required to ensure that planholders are credited by the amount of the guaranteed return. The annual calculation is performed in relation to the annual return achieved. To the extent that returns are obtained in excess of the guaranteed return and in excess of the relevant management fee rates charged by the company, these excess returns are credited to the fund through a dedicated fund that accumulates a surplus that is used in years in which the guaranteed return is not achieved.

Summary information about the Group's pension and provident funds:

2022:

In NIS millions	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Other central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Central funds for annuity	Other	Total
	Old	Comprehensive	Complementary								
Assets under management	2,996	61,070	2,338	30,966	29,323	3,910	3,467	999	1,357	3	136,429
Contributions towards benefits	27	7,490	743	916	2,951	0	855	163	6	0	13,151
Net accrual (decrease)	-78	15,226	1,186	2,743	3,596	-249	828	131	-89	0	23,294
Rate of management fees on accruals	0.30%	0.17%	0.18%	0.61%	0.65%	0.60%	0.60%	0.02%	0.09%	0.61%	
Rate of management fees on contributions	6.28%	1.70%	1.34%	0.09%	-	-	-	-	-	-	

2021

In NIS millions	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Other central severance pay fund	Investment provident fund	Child long- term investment provident fund for savings	Central funds for annuity	Other	Total
	Old	Comprehensive	Complementary								
Assets under management	3,314	48,391	1,356	32,473	29,753	1,593	2,962	943	4,571	4	125,360
Contributions towards benefits	30	5,308	313	1,601	2,059	-	1,013	98	412	1	10,835
Net accrual (decrease)	-66	7,636	454	4,144	3,821	-48	1,155	86	160	-41	17,300
Rate of management fees on accruals	0.35%	0.19%	0.25%	0.60%	0.66%	0.66%	0.57%	0.23%	-	0.19%	-
Rate of management fees on contributions	6.26%	1.86%	1.38%	0.04%	-	-	0.10%	-			-

2020

In NIS million	Pension funds			Provident funds for retirement benefits and severance pay	Advanced education Funds	Other central severance pay fund	Investment provident fund	Child long-term investment provident fund for savings	Total
	Old pension funds	Comprehensive	Supplementary						
Assets under management	1,659	34,799	770	16,379	16,287	1,175	866	372	72,308
Contributions towards benefits	19	4,335	163	558	1,450	-	257	77	6,858
Net accrual (decrease)	9	4,457	186	(392)	(315)	(31)	152	73	4,138
Rate of management fees on accruals	*0.22%	0.20%	0.31%	0.56%	0.69%	0.56%	0.58%	0.23%	-
Rate of management fees on contributions	6.20%	2.10%	1.54%	0.01%	-	-	-	-	-

Set forth below are the main restrictions placed on management fees according to the various pension and provident channels in accordance with the provisions of the law:

	Non-annuity provident funds (savings provident funds)	Advanced education funds and provident funds that are not non-annuity provident funds (that are not savings provident funds) and Gmula**	General pension fund	Comprehensive pension fund	Investment provident fund	Child long-term investment provident fund for savings
Maximum management fees until 31.12.2012	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	2% of accrual + 0% of contributions	0.5% of accrual + 6% of contributions	n/a	n/a
Maximum management fees for 2013 (transitional period)	1.1% of accrual + 4% of contributions	No change	1.1% of accrual + 4% of contributions	No change	n/a	n/a
Maximum management fees as from 2014	1.05% of accrual + 4% of contributions (*)	No change (*)	1.05% of accrual + 4% of contributions	No change	n/a	n/a
Maximum management fee	No change	No change	No change	No change	1.05% of the accumulated balance; 4% of deposits	0.23% of the accumulated balance***
Maximum management fees collected from planholders with whom the fund lost contact	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of accrual	0.3% of the accumulated balance	0.23% of the accumulated balance***
Maximum management fees collected from annuity recipients	-	-	0.6% of annuity	0.5% of annuity	-	-
Maximum management fees collected from annuity recipients as from February 2022	-	-	0.3% of annuity	0.3% of annuity	-	-

(*) Notwithstanding that which is stated in the table, as of 2016, the management fees collected from a planholder's accrual in all his/her accounts with a provident fund that is not an insurance fund will be no lower than NIS 6 per month.

(**) In the case of The Phoenix Gmula provident fund, the fund's rules and regulations stipulate that the maximum management fees that may be collected in guaranteed return tracks will be up to 2% of the accrual.

(***) Collected from the National Insurance Institute rather than from planholders.

2.4.1.3 Impact on competition between the various products

In the long-term savings market, there are several products, with provident funds being the leading products for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; cancellation of capital provident funds.

Advanced education Funds

Since advanced education funds offer dedicated tax benefits to those who make contributions into such funds, and since the minimum savings period is relatively short (6 years), there are no real alternatives to this saving channel.

Other financial products (individual savings products)

The reporting year saw a continued trend whereby the volume of public investments in individual savings products such as investment provident funds that constitute an alternative to other liquid savings products such as bank deposits, mutual funds, portfolio management, individual savings policies, and the like. The attractiveness of these products stems from several reasons, including: exposure to illiquid investments, attractive management fees, the option of switching to other investment tracks without a tax event, and tax benefits upon reaching retirement age.

The Company believes that the trends in the long-term savings segment may lead to the following:

1. Pension funds will continue to be a leading product among long-term savings products.
2. The decrease in average management fees in the market will continue.
3. To reduce the profits from recipients of annuities as a result of the reduction of the maximum amount in management fees collected from recipients of annuities in the pension funds and in insurance policies for annuities.
4. The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.

2.4.1.4 New products

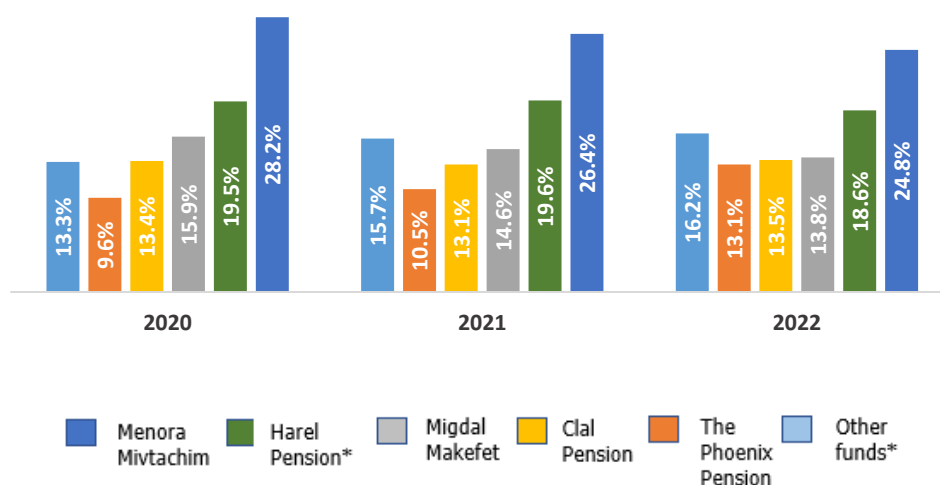
For more information about the launch of the new investment tracks, see Section 2.1.2 above.

2.4.1.5 Competition

Pension - in 2022, total contributions paid into comprehensive pension funds for the entire market amounted to NIS 62.3 billion, compared to NIS 53.1 billion in 2021.

Other than The Phoenix Pension and Provident, the largest companies that operate in the pension segment are Menorah Mivtachim, Migdal Makefet, Clal Pension and Harel Pension. In addition, the activity of the default funds intensifies the competition in this field and the trend of erosion of management fees.

Following is data on the market share of the principal competitors in the pension market in 2020-2022 out of total premiums of the new comprehensive pension funds (according to the Capital Market, Insurance and Savings Authority's website "Pensyanet"; figures are based on contribution amounts) (by percentage):

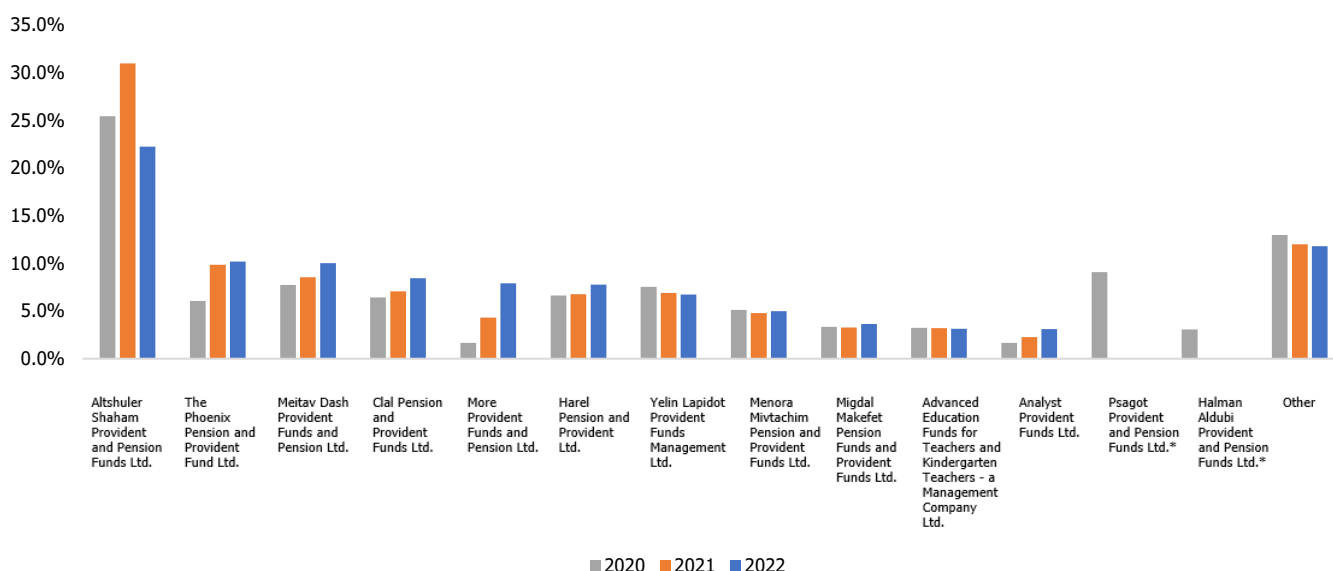


* With respect to 2020 - "other funds" include Altshuler Shaham, Psagot, Halman Aldubi, and Meitav Dash. In relation to 2021 - Psagot's contributions were added to those of Harel, and Halman's contributions were added to those of Meitav; therefore, in 2021 "other funds" include Altshuler Shaham, and Meitav Dash. With respect to 2022 - "other funds" include Altshuler Shaham, Infinity, More, and Meitav Dash.

The pension funds' segment is characterized by fierce competition, which increased as a result of the introduction of the default pension funds. As a result of greater public awareness of the importance of saving towards retirement, and as a result of changes in alternative products (for further details, please see Section 2.4.1.1.1 above), the public is more aware of the management fees rates collected on the deposits and accruals of pension funds planholders, as well as of the quality of investment management in the pension funds and the returns attained therein - all of which constitute important factors in the process of selecting a fund; there is also greater awareness of the quality of service rendered to customers.

Provident funds - In 2022, total assets under management by the segment was NIS 648 billion, compared with NIS 688 billion as of December 31, 2021.

Set forth below is a list of the management companies with the highest amounts of assets under management in the provident funds segment, and a description of the development of their share in total provident fund assets in 2020-2022, based on the Capital Market, Insurance and Savings Authority's figures ("Gemel Net") (by percentage):



* It should be noted that the provident funds managed by Psagot Provident and Pension Funds Ltd. and Halman Aldubi Provident and Pension Funds Ltd. are recorded in the reporting year as controlling a zero market share, since in the reporting year these funds were purchased by Altshuler Shaham and The Phoenix, respectively.

The following table provides information about the transfer of money from/to the Company in the pension and provident segments from 2020 to 2022:

2022

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	68,480	1,569,150	1,637,630
Transfers from pension funds	92,011	10,709,351	10,801,362
Transfers from provident funds	8,771,147	230,371	9,001,518
Total transfers to the company	8,931,638	12,508,872	21,440,510
Transfers from the Company to other entities			
Transfers to other insurance companies	164,450	63,244	227,694
Transfers to pension funds	195,252	2,894,162	3,089,414
Transfers to provident funds	3,279,969	154,025	3,433,994
Total transfers from the Company	3,639,671	3,111,431	6,751,102
Net transfers	5,291,967	9,397,441	14,689,408

2021

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	165,357	813,165	978,522
Transfers from pension funds	40,244	5,320,584	5,360,828
Transfers from provident funds	8,184,029	111,702	8,259,731
Total transfers to the company	8,389,630	6,245,451	14,635,081
Transfers from the company to other entities			
Transfers to other insurance companies	160,973	89,189	250,162
Transfers to pension funds	152,141	2,550,553	2,702,694
Transfers to provident funds	2,097,863	146,567	2,244,430
Total transfers from the Company	2,410,977	2,786,309	5,197,286
Net transfers	5,978,653	3,459,142	9,437,795

2020

In NIS thousand	Provident funds	Pension funds	Total
Transfers to the company from other entities			
Transfers from other insurance companies	94,043	318,689	412,732
Transfers from pension funds	25,927	2,667,954	2,693,881
Transfers from provident funds	1,659,752	18,749	1,678,501
Total transfers to the company	1,779,722	3,005,392	4,785,114
Transfers from the Company to other entities			
Transfers to other insurance companies	146,747	49,956	196,703
Transfers to pension funds	65,863	2,016,934	2,082,797
Transfers to provident funds	2,829,742	131,646	2,961,388
Total transfers from the company	3,042,352	2,198,536	5,240,888
Net transfers	(1,262,630)	806,856	(455,774)

Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the pension savings market. Following are the main provisions:

- Lowering the management fees in alternative long-term saving products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution commission paid to the pension agent.
- Settlement of the consolidation of pension savings by transferring amounts saved by the planholder with inactive pension funds to his/her account with active pension funds.
- Provisions regarding management of a new pension fund, which increase the possibility for planholders' transitioning to new pension funds close when approaching retirement age.
- Amendment to the regulations on transfer of funds from one provident fund to another; the amendment makes it possible to transfer funds from one investment provident fund to another, and to transfer funds from an investment provident fund to an annuity provident fund.
- Regulations published in January 2022, which reduced the maximum amount in management fees collected from recipients of annuities to an annual rate of 0.3%, in respect of recipients of annuities in pension funds and for new holders of policies for annuities from February 2022. For further details on this subject, please see Section 4.1.6.1.10 below.

- The reform in allocation of designated bonds for pension funds. For further details, please see Section 4.1.6.1.13 below.
- The expected reform in connection with direct expenses, and its effect on management fees. For further details, please see Section 4.1.6.1.13 below.
- Changes and adjustments to investment tracks in the different savings products, in view of the publication of the circular regarding investment tracks in provident funds. For further details, please see Section 4.1.6.1.13 below.

The Company believes that these changes may enhance existing trends in the provident and pension asset management segment, as described in Section 2.1.4 above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profits in the provident and pension asset management segment.

How the Group deals with competition

The Group is taking action to address the growing competition in the industry, mainly through the following measures:

- Continued development and improvement of the investment function and quality of investment management.
- Increase in total assets under management, including, among other things, as a result of mergers and acquisitions.
- Operational and organizational streamlining by way of restructuring the Company and its various units, and improving the operational infrastructure in order to develop and enhance the customer relations and service as well as the distribution channels, while developing dedicated expertise in the areas of operation and service.
- Constantly developing and updating its tracks, products and promotions.
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Activation of customer retention function dealing with customers who wish to transfer their funds to other funds/withdraw their funds.

2.4.2 Customers

A. Pension funds

set forth below is a breakdown of The Phoenix Pension and Provident Funds customers¹⁵ (by percentage):

	2022	2021
Salaried employee planholders	96	97
Planholders - private individuals and self-employed	4	3
Total	100	100

The number of planholders of The Phoenix Comprehensive Pension Fund was higher in 2022 by 13.3%, and its assets under management increased by 26% compared with 2021, following the increase in the number of planholders and total assets by 4.7% in 2021 and 39% in 2020, respectively.

B. Provident funds

	Advanced education fund		Fund for retirement benefits and severance pay		Investment provident fund		Child long-term investment		Provident funds	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Employee	87	86	33	33	0	0	0	0	55	52
Self-employed	13	14	67	67	100	100	100	100	45	48
Total	100	100	100	100	100	100	100	100	100	100

As of December 31, 2022, approximately 1,259 thousand planholder accounts were managed by The Phoenix Pension and Provident's provident funds, compared with approximately 1,149 thousand accounts in the previous year. Set forth below is the breakdown of planholder categories in provident funds (by percentage):

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

¹⁵ in The Phoenix Comprehensive Pension and The Phoenix Supplementary Pension.

2.5 Asset management - financial services

2.5.1 General information about the segment

2.5.1.1 Segment structure and changes therein

The Phoenix Group operates in the asset management - financial services segment, inter alia, through The Phoenix Investment House (formerly Excellence Investments Ltd.) (hereinafter - "**The Phoenix Investment House**" and/or the "**Investment House**").

As of the report publication date, The Phoenix Investments holds 88.4% of the shares of The Phoenix Investment House. For further details in connection with the restructuring of the holding in The Phoenix Investment House, please see Section 2.5.1.2 below. The Phoenix Investment House operates through companies under its control in a variety of activities in the capital market sector: investment marketing and management for customers; management and operation of mutual funds; trading services on the TASE and related services; trust services (in the framework of options and management of employee compensation plans as well as mergers and acquisitions); marketing of alternative products¹⁶ as well as sale of related products.

Significant external changes that affect this area of activity are the scope and nature of activity in the capital market as well as regulatory changes. For further details, please see Section 2.5.1.5 below.

Close to the end of the reporting year, a decision was made to re-brand the investment house under the name "The Phoenix Investment House", and accordingly the company's name was changed in the Registrar of Companies' records.

The group also operates in the field of asset management - financial services in the development and distribution of alternative investment products. The activity is carried out under The Phoenix Advanced Investments Ltd. (hereinafter - "**The Phoenix Advanced Investments**"), which outlines the activity in this field and its development through subsidiaries and/or related companies, as described below.

2.5.1.2 Restructuring in The Phoenix Investment House

In May 2022, an agreement was signed for a statutory merger between KSM ETN Holdings Ltd. (hereinafter - "**KSM Holdings**"), a subsidiary of The Phoenix Investment House (84%), whose remaining shares (16%) are held by three minority shareholders, of which

¹⁶ During the reporting year, the Company made structural changes such that the setting up and sale of alternative products (that was carried out through a number of group companies) shall be coordinated by The Phoenix Advanced Investments Ltd., and the marketing and distribution of the funds is carried out by a number of group companies (including The Phoenix Investment House).

approx. 9.55% are held by Avner Hadad and Boaz Nagar, each according to his share (hereinafter - the "**Managers**"). The merger was completed in January 2023.

Following the merger and further actions, the Company is holding (indirectly) 88.4% of the shares of The Phoenix Investment House and the Minority Interests in KSM Holdings hold approximately 11.56% of the shares of The Phoenix Investment House, with their share being 7.5%.

Furthermore, options arrangements were established to execute transactions, from 2026 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in the investment house's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration - in case of exercising the option by the managers - in cash or by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. The options arrangements shall expire on the date of an initial public offering of The Phoenix Investment House.

In accordance with the merger agreement, The Phoenix Investment House shall run the activity of KSM Mutual Funds, the TASE Member, portfolio management and ESOP. Other activities will be transferred from the Investment House to other Phoenix Group companies. For further details, please see the Company's immediate report dated January 26, 2023 (Ref. No.: 2023-03-010285).

Accordingly, in June 2022, the shares of Excellence Alternative Assets Ltd., which used to run the setting up of alternative products in Excellence were distributed as a dividend in kind to The Phoenix Investments. In addition, at the end of December 2022, Excellence Underwriting decided to discontinue the underwriting activity and change its status to an inactive underwriter; this was done further to the completion of a transaction as part of which a new underwriting company - The Phoenix Underwriting Ltd. - was established; the Company holds only 19.9% in the new company (through The Phoenix Investments).

2.5.1.3 Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement where under it will acquire from with Mr. Shmuel Frenkel and Mr. Lior Aviani (hereinafter - the "**Sellers**"), the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "**Epsilon**") (after the Sellers or any one of them will acquire the holdings of Discount Investments Ltd. in Epsilon), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "**Epsilon Funds**") and Epsilon Investment Portfolio Management Ltd. (hereinafter - "**Epsilon Portfolios**") for the consideration set in the agreement (hereinafter - the "**Transaction**"). The transaction was completed on February 13, 2023. As of December

31, 2022, assets under management in Epsilon Funds and Epsilon Portfolios amount to NIS 5 billion.

The Phoenix Investment House intends to take steps to merge Epsilon into The Phoenix Investment House, and to merge Epsilon Funds into the fund manager; the activity of Epsilon Portfolio will continue to be conducted independently under the management of the Sellers for a period of 5 years.

2.5.1.4 Acquisition of the portfolio management activity and mutual funds from Psagot

In January 2023, Excellence entered into two separate (and non-contingent) agreements with companies of the Psagot Investment House group, as follows: (a) Acquisition of the entire portfolio management activity of the Psagot Investment House with assets under management of approx. NIS 8.1 billion (hereinafter - the "**Portfolios Acquisition Agreement**"), in consideration for approx. NIS 50 million. The Portfolios Acquisition Agreement stipulates that the direct employees of the portfolio management activity will be transferred; the agreement also includes a non-competition clause as is generally accepted in transactions of this type. The Portfolios Acquisition Agreement is subject to approvals as required by law, including the approval of the Israel Competition Authority, which was provided prior to the report publication date. The parties to the agreement requested the court's approval for an arrangement under Section 350 to the Companies Law, for the purpose of receiving guidance for the merger of Psagot's portfolio management activity with and into the Company's activity, concurrently with processes that will allow the transfer of the activity as described above even before the transfer of the activity in accordance with the court's decision. The Portfolios Acquisition Agreement will only be completed once all approvals required by law are received; (b) acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling NIS 17.1 billion, and in consideration for NIS 260 million (hereinafter - the "**Funds Acquisition Agreement**"). Under the Funds Acquisition Agreement, subsequent to the sale each of the parties will be allowed to continue its activities in the funds market without any restrictions, and Psagot will not be precluded from managing funds that compete with the Sold Funds.

It should be noted that upon the completion of the above-mentioned transactions, if they are, indeed, completed, the assets under management that will be transferred to the Group (based on data as of December 31, 2022) amount to NIS 23 billion.

2.5.1.5 Restrictions, legislation, standards and specific constraints

The Phoenix Investment House's operations in various areas of the capital market are subject to substantial regulation. The following is a list of key provisions that apply to the Investment House's operations:

2.5.1.5.1 Regulation of mutual funds

Mutual funds management is regulated under the provisions of the Joint Investments in Trust Law and regulations promulgated thereunder, and the ETFs activity is also regulated under the Tel Aviv Stock Exchange regulations and guidelines, including with regard to listing ETFs. This subsegment is regulated by the Israel Securities Authority. The law and regulations include, among other things: provisions about the approvals required to set up a mutual fund; holdings through means of control of the fund manager; terms and conditions for the qualifications of employees and/or people who take part making decisions concerning the management of a fund's investment portfolio; requirements pertaining to the composition of the board of directors of the fund manager; qualification of its members; appointment of board of directors' committees; obligation to publish a prospectus; obligation to publish the fund's annual report; duties of the fund's manager and trustee; allowed transactions, types of assets and maximum rates of such assets that the fund's manager is allowed to hold; material transactions or transactions that involve a conflict of interest and approval thereof; actions which the fund's manager, trustee and related parties thereof may not carry out; definition of actions that constitute breaches that carry monetary sanctions (administrative enforcement); civil or criminal offenses and related sanctions; minimum equity; obligation to have insurance coverage; and other various restrictions in respect of changes in the fund's investment policy.

The law also regulates the fund manager's disclosure and reporting requirements, including monthly reports to the Israel Securities Authority about each fund's assets, liabilities, payments made out of its assets, and additional details, as well as reports issued on an ongoing basis.

In addition, as part of Amendment 28 to the Joint Investments in Trust Law 1994, as from October 2018, all ETNs managed by the Investment House were converted into ETFs and transferred to the management of KSM Mutual Funds. Furthermore, in June 2021, KSM Mutual Funds adopted an outline agreed between the Association of Mutual Funds Managers and the Israel Securities Authority to reduce the number of similar funds under active management. Under the outline, KSM Mutual Funds merged a number of active funds under its management and took steps to adjust the classifications of the funds under its management, such that they are in line with the said outline. In the opinion of KSM Mutual Funds, this move did not affect its activity.

2.5.1.5.2 Regulation in the investment marketing and portfolio management subsegment

Investment portfolio management and investment marketing are regulated by the provisions of the Advice Law, its regulations, directives, as well as circulars of the Israel Securities Authority. According to the Advice Law, a corporation engaged in the management of investment portfolios, and those it employs as investment portfolio managers, must hold a portfolio management license from the Israel Securities Authority. The Advice Law and the regulations promulgated thereunder also apply to the relationships between the license holder and its customers, and imposes various duties as to the nature of the engagement, the dealings between the license holders and customers, the provision of services to customers, as well as minimum capital and insurance coverage requirements.

In addition, the portfolio management activities taking place with the TASE Member are subject to the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010, which imposes various obligations in connection with identifying customers and reporting their actions.

In January 2020, the Israel Securities Authority issued a directive to portfolio managers, mutual fund managers and mutual fund trustees titled "Portfolio Management Service 2.0". The purpose of the directive is to enable a TASE Member engaged in portfolio management to provide investment marketing services through the management of four dedicated funds that will be outsourced, with the service being provided by the TASE Member through digital means only. In March 2021, the Israel Securities Authority issued an amended version of the directive, according to which, portfolio managers will be allowed to provide portfolio management services 2.0 using traditional methods without being required to implement significant technological developments, through a managed account.

2.5.1.5.3 Regulation of TASE services:

Following are the main statutes that govern the operations of the TASE Member:

- a. TASE Rules and Regulations: The TASE Member is subject to the provisions of the TASE Rules and Regulations and the guidelines set thereunder, which relate, among other things, to: terms of qualifications for TASE membership; TASE members' obligations vis-a-vis the TASE, its members, and their customers; permitted areas of activity; requirements for appointing various control functions; provisions regarding monitoring and control over

compliance with the TASE Rules and Regulations; various provisions for IT management, etc.

- b. TASE clearing house bylaws: In addition to its membership in the TASE, the TASE Member is part of the TASE clearing house and thus subject to the clearing house's bylaws. Furthermore, since some of its customers trade options and derivatives on the MAOF clearing house, and since the TASE Member is not a member of the MAOF clearing house, the Member operates in this clearing house through a supporting member, and as such is subject to the MAOF clearing house bylaws applicable to TASE members who are not members of the clearing house.
- c. The Advice law and the regulations promulgated thereunder: Since the TASE Member holds an investment marketing license, it is subject to the provisions of the Advice Law, regulations promulgated thereunder, guidelines and circulars of the Israel Securities Authority.
- d. The Prohibition on Money Laundering Law and ordinances promulgated thereunder: The TASE Member is subject to the provisions of the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010. These provisions stipulate, among other things, the duties of to identify the account holder and duties concerning control and reporting in relation to customers of the TASE Member.

2.5.1.5.4 In January 2022, **the draft bill for the Expansion of the Law for Streamlining of the Regulation of Securities (Legislative Amendments), 2022** was published, whose objective is to add to the content of the draft bill of the Law for Streamlining of the Regulation of Securities (Legislative Amendments), 2022 that was published in July 2020. In order to allow the Israel Securities Authority to prescribe provisions independently and relatively swiftly, the authority requests further powers under the Securities Law, 1968. According to the Israel Securities Authority, the amendments to the draft bill are designed to address issues which the authority believes require increased flexibility as part of the formulation of the provisions and their adaptation to the conditions in the market.

2.5.1.5.5 In December 2021, the Knesset passed the **Financial Information Service Law, 2021**, whose objective is to allow entities licensed to provide financial information services to collect financial information about the customers, where such financial information is held by other financial entities from whom the customers receive

financial services. Such collection of information is carried out by virtue of the license holder's access to an on-line system through which the sources of information are required to provide access to the financial information. As part of collecting the information, license holders will be able to offer their customers various services based on the information they hold. The TASE Member is assessing the potential effect of the new directive on its activity and the services it provides to its customers.

2.5.1.5.6 Changes in areas of activity TASE members may engage in - In June 2022, the TASE published an amendment to its Rules and Regulations, which expanded the areas of activity TASE members may engage in, such that members will be able to render financial information services in accordance with the Financial Information Service Law, 2021.

2.5.1.5.7 In June 2022, the **TASE published a directive regarding risks involved in engagements with entities included in international sanctions lists and national sanctions lists of foreign countries.** In accordance with the directive, as part of the Company's risk management processes, it is required to consider the need to set policies and procedures regarding the use of international sanctions lists and national sanctions lists of foreign countries, and regarding the engagement or the execution of a transaction with entities included in such lists.

2.5.1.5.8 In December 2022, the Israel Securities Authority published a **directive regarding the integration of ESG considerations in decision-making processes or risk management processes.** According to the directive, license holders, who are deemed large license holders, shall assess the need to include ESG considerations in the process of selecting the investment and making investment-related decisions. The license holder's decision will be reported to the Israel Securities Authority, and the license holder will also consider how to reflect the implementation of the policy that will be set for its customers.

2.5.1.5.9 In December 2022, **a directive was published for non-bank TASE members regarding application of prohibition on money laundering requirements when opening new accounts using online identification** means; the objective of the directive is to allow TASE Members who are not banks to remotely open accounts for customers while using digital means, and without necessarily meeting the customer, even when the account in question is not a "closed system account"; the draft describes the ways for discharging the duties set in the Prohibition on Money Laundering Ordinance, if and to the extent that a TASE Member wishes to use such a technology.

2.5.1.5.10 Changes in the scope of operations and profitability of the subsegment

2.5.1.5.11 On December 31, 2022, assets under management by the Investment House totaled approximately NIS 60.4 billion, compared to NIS 67 billion as of December 31, 2021. The decrease in assets under management stemmed mainly from the decrease in assets in the mutual funds; this decrease is mainly attributed to price slumps in markets and from redemptions in the traditional funds. Subsequent to the report date, two further acquisitions were carried out as described in Sections 2.5.1.3 and 2.5.1.4 above.

2.5.1.5.12 Market trends in the reporting year and their effect on the Investment House's areas of activity:

a. Mutual funds

The scope of activity in this industry is derived from the situation in the capital market, the range of instruments issued, the number of issues and total amount of investments therein, and from changes in the public's preferences as to investments specializing in foreign markets and in Israel, commodities and financial derivatives.

2022 was characterized with variances between the subsegments of the funds industry: while the passive funds raised approx. NIS 3 billion, the traditional active funds redeemed NIS 27 billion, and on the other hand the money market funds raised NIS 33 billion.

As of the report date, The Phoenix Investment House manages, through the Fund Manager, 377 funds in most of the existing investment channels: 107 managed funds (of which 27 funds managed by external entities - hosting), 163 ETFs, and 107 open-ended tracker funds).

Set forth below are data about total assets under management by the mutual funds sector in Israel and in KSM Mutual Funds (in NIS billion):

	December 31, 2022		December 31, 2021		December 31, 2020	
	Total sector	KSM Mutual Funds	Total sector	KSM Mutual Funds	Total sector	KSM Mutual Funds
Traditional funds	164	10.1	207	13.9	166	10.1
Open-ended tracker funds	59	12.3	69	13.4	51	9.3
ETFs	95	26	105	28	91	25.9
Money market funds	50	0.6	17	0.7	23	1
Total	368	49	398	56	331	46.3

b. **Investment marketing and investment management for customers**

Total assets under management in investment portfolios (including financial assets issued by the Investment House and acquired into the managed portfolios) as of December 31 of each of the last three years was as follows (in NIS billion):

	2022	2021	2020
Asset under management	13.1	12.5	9.8

The increase in total assets in Investment House's investment portfolios stems from the purchase of the activity of Alumot in 2020 and the activity of Halman Aldubi in 2021.

c. **Stock exchange and trading services**

During the reporting year, trading volumes on the TASE increased by approximately 16% compared with 2021. This increase stemmed mainly from higher equity trading volumes.

In the reporting year, the TASE Member's trading volumes increased by 11% compared with 2021; this increase stemmed mainly from the increase in trading volumes of equities and Makam (T-Bills).

The profits generated by the TASE Member is exposed to changes in the Bank of Israel's interest rate and in the Federal Reserve's interest rate. Following global macroeconomic developments that have been taking place since the second quarter of 2022, inflation rates in Israel and across the world have increased. As part of the steps taken to tackle inflation, central banks across the world, including the Bank of Israel, started increasing interest rates. Interest rates hikes affect the increase in the Investment House's finance income.

2.5.1.6 Critical success factors

The critical success factors in this operating segment are: securing high returns on investments for customers compared with competitors in the same investment channels or alternative investment channels; a professional and high-skilled workforce; a savvy marketing function; a high-level digital infrastructure; a high level of service to customers; rapid response to market events and developments; familiarity and relationships with financial institutions abroad; expanding the product offering while adapting it to market needs; innovation; adapting the nature of operations to regulatory changes; ongoing, close work relationships with institutional investors and customers; reliable, advanced IT systems and software.

2.5.1.7 Main entry and exit barriers

2.5.1.7.1 The principal entry barriers for this operating segment are: the relevant legislation, including restrictions and conditions for obtaining the permits and licenses required to engage in the activity; the need to meet equity requirements or provide other collateral based on the provisions of the relevant laws, such as insurance coverage; finding professional and skilled employees; relationships with financial institutions and investment funds overseas; obtaining approvals from the authorities to issue products to the public (TASE and the Israel Securities Authority).

2.5.1.7.2 The main exit barriers from this area of activity are the sale of activities that in some case require obtaining licenses, control permits and other approvals. Furthermore, in some of the activities, the relevant company has long-term agreements for the provision of services in that operating segment (including commitments under various tenders), and exiting the area of activity requires termination of such agreements. The main exit barrier from the field of alternative investments is the funds that raised and operate significant investment amounts; such funds should be operated; they are required to report to investors and/or their management should continue over years.

2.5.1.8 Alternatives for products in the segment and changes therein

Alternatives to investment management (portfolio and mutual funds) are savings channels which do not require ongoing investment management (for example, bank deposits), self-management of investments in securities, direct management through bank advisory services or any other type of investment advisory services, and purchase of ETFs. Furthermore, long-term savings products offered by insurance companies and provident funds' management companies (for example, investment provident funds, savings policies, etc.) also serve as an alternative. Alternatives for ETFs and tracker

funds are managed mutual funds that strive to outperform the indices, and foreign index funds traded on foreign exchanges, whose activity is similar to that of ETFs traded on the TASE. Alternatives for underwriting operations include capital raising on foreign stock exchanges and loans from banks or non-bank entities.

2.5.1.9 Structure of competition in the area of activity and changes therein

The segments in which The Phoenix Investment House operates in the capital market are characterized by numerous competitors and fierce competition from investment houses, banks and other entities operating in the capital market. In recent years, competition has increased due to the emergence of new actors in the market, following expansion of activities in the capital market, as well as due to Amendment No. 28, which enabled issuers of tracker funds to convert them into ETFs. For further details about competition in this area of activity, please see Section 2.5.6 below.

In the reporting year, the Investment House launched a digital platform for onboarding new customers and management of portfolio management customers, with customers given the option to manage their investments by opening accounts with the TASE Member or through their accounts with banking corporations. Competition in the field of alternative investments intensified in recent year, with the introduction of investment houses and institutional entities into the field in addition to private entities that have already been active players.

2.5.2 Products and services

The following are the key subsegments comprising the Company's asset management segment - financial services segment:

2.5.2.1 Investment marketing and investment management for customers

This subsegment includes the following activities of the Investment House: provision of marketing and investment management services in Israel and abroad and other activities.

2.5.2.2 Investment portfolio marketing and management

The Phoenix Investment House, through the TASE Member, provides investment marketing services and manages investment portfolios for private customers, corporations and institutional entities from various economic sectors through a range of investment channels. The TASE Member holds an investment portfolio marketing and management license under the Advice Law. Investments are made by a highly-qualified and experienced team comprised of qualified investment managers, licensed to manage investment portfolios. Portfolio management is carried out through most Israeli banks and non-bank TASE members. For further details about total assets under management by the TASE Member, please see Section 2.5.4 below.

Transactions in customer accounts managed with banks and/or with TASE members are carried out by a TASE Member under powers of appointment authorizing the execution of transactions in the customers' accounts. The investment policy is determined in coordination with the customers according to their definitions and needs, and is set forth in a written agreement. In addition, the TASE Member has agreements with the banks with whom customers' accounts are managed; according to these agreements the TASE Member undertakes, among other things, to act solely on behalf of its customers based on the power of appointment granted by them.

Income from portfolio management operations with the TASE Member stems from management fees collected from customers that receive investment marketing and management services.

2.5.2.3 Management of mutual funds

Mutual fund management operations are regulated by the Joint Investments in Trust Law and the regulations promulgated thereunder, and in the case of ETFs - the operations are also regulated by the TASE Rules and Regulations. Mutual funds are established under an agreement between the fund manager and a trustee, which specifies the fund's investment policy, the maximum fees which the fund manager and trustee may charge, etc. The sale of mutual fund units is made in accordance with a prospectus in which fund units are offered to the public. Publication of such a prospectus requires a permit from the Israel Securities Authority, and the subscription period for the units offered under the prospectus is limited to one year from the date of issuing the prospectus; this period is renewed for one further year by the fund manager's publication of a prospectus once a year. Furthermore, ETFs are traded on the TASE and can be purchased and sold during trading on the TAXE. Most revenues stem from management fees charged by each fund. In tracker funds (including ETFs), the fund manager is also entitled to set variable management fees that may be positive or negative depending on the performance of the fund versus the asset which the fund tracks in accordance with the provisions of the Joint Investments in Trust Law and the regulations promulgated thereunder.

For further details about the number of funds managed by KSM and total assets under management, please see Section 2.5.1.6.2 above.

2.5.2.4 Contracting with external investment managers in investment management agreements and consulting agreements, for the mutual funds

As of the report date, Azimuthline Capital Markets Ltd. - holder of a portfolio management license (hereinafter - "**External Investment Manager**") - renders investment management services to mutual funds managed by KSM Mutual Funds. This is in addition to agreements signed in 2017 between KSM Mutual Funds and Alliance Bernstein (Luxembourg)

S.a.r.l., a New York-based foreign mutual funds management company (hereinafter - "**AB**"), whereunder KSM Mutual Funds will serve as the representative and marketer of AB's funds in Israel in the private customers segment, and will also offer units of Class A foreign funds managed by AB to the Israeli public. AB shall also serve as an investment advisor to funds under the foreign shares category of KSM Mutual Funds.

In October 2020, KSM Mutual Funds and The Phoenix Investments entered into an advisory services agreement, whereunder The Phoenix Investments shall provide external advisory services to funds managed by KSM Mutual Funds. As of December 31, 2022, the Phoenix Investments serves as an advisor of 3 funds.

In March 2022, KSM Mutual Funds and Altris Advisors Ltd. entered into an advisory services agreement, whereunder Altris Advisors shall provide external advisory services to funds managed by KSM Mutual Funds, and regular current services regarding the proper distribution of holdings in relation to securities listed on stock exchanges outside Israel. As of December 31, 2022, Altris serves as an advisor of one fund.

In December 2022, KSM Mutual Funds and Eagle Labs Capital (Israel) Ltd. entered into an advisory services agreement, whereunder Eagle Labs Capital (Israel) Ltd. shall provide external advisory services to funds managed by KSM Mutual Funds, and trading services in connection with mutual funds managed by KSM Mutual Funds. As of the report date, the said advisor serves as an external advisor of one fund of KSM Mutual Funds.

It should also be noted that in addition to the above, KSM Mutual Funds provides "hosting" services in mutual funds to external fund managers.

2.5.2.5 Index tracking services provided by KSM

KSM provides index tracking services to managers of others' funds including for the index-tracking pension savings plans launched by The Phoenix Insurance and by The Phoenix Pension. As of the report date, eight investment baskets are being managed, with total assets under management of NIS 20.1 billion.

2.5.2.6 REIT fund management

REIT 1 Ltd. (hereinafter - "**REIT**") is an investment fund investing in real estate; REIT is traded on the TASE. In April 2006, REIT entered into an agreement with REIT 1 Management Services Ltd. (hereinafter - "**REIT Management**"), approximately 47.5% of the issued share capital of which is held by the Investment House; under the agreement, REIT Management will provide REIT with advisory services in respect of the REIT's management. This agreement was extended a number of times over the years. The term of the present agreement ends in September 2025. The other shareholders in REIT Management have the option to acquire the Investment House's stake in REIT Management's shares. The option is exercisable in September 2025.

2.5.2.7 Underwriting and investment banking

Until December 2022, The Phoenix Investment House, through Excellence Nessuah Underwriting (1993) Ltd. (hereinafter - "**Excellence Nessuah Underwriting**"), provides underwriting, management, consultancy and distribution services for public and private offerings in Israel, including distribution and management of liquid securities. It also renders services in securities transactions (including offers of sale) and securities distribution, brokerage and advisory services in securities transactions, financing, and investment banking.

Most of the revenues in this subsegment stem from underwriting, distribution, and management fees paid to underwriters or distributors, as the case may be, by the companies raising capital.

Furthermore, from time to time, the Group generates revenues from fees and commissions in the investment banking subsegment, primarily from brokerage in private loan transactions and private offerings of securities. The fees and commissions amounts is usually derived from the transaction amount.

During the reporting period, most capital raised by Excellence Nessuah Underwriting was through debt, with a smaller portion raised through shares.

Set forth below is information about the volume of Excellence Nessuah Underwriting's public offerings activity:

	2022	2021	2020
Distribution	8	14	43
Underwriting	0	1	0

The decrease in volume of activity between the reporting year and 2021 was mainly caused by the fact that a number of key personnel left Excellence Nessuah Underwriting during 2020-2021. The decrease in the number of issuances in which Excellence Underwriting participated in 2022, in addition to a change in the issuance mix, led to a decrease in total revenues from underwriting and investment banking in 2022 compared with 2021.

For information regarding the underwriting company that was established instead of Excellence Nessuah Underwriting, see Section 2.5.1.2 above.

2.5.2.8 Stock exchange and trading services

The Phoenix Investment House provides its customers, through the TASE Member, brokerage services in all trading channels including foreign and Israeli shares, bonds in Israel, bonds abroad (through Excellence Nessuah Financial Products Ltd.), derivatives, foreign securities, coordination of issues, coordination of tender offers, and distribution of securities for interested parties in companies.

Securities trading activities are carried out through accounts with the TASE Member in the name of its customers. It is noted that trading of foreign bonds is not carried out through the TASE but rather on the OTC market. Furthermore, the TASE Member renders analysis services in markets in Israel and abroad.

The TASE Member also provides market-making services involving securities traded on the TASE, in cooperation with Bina Investments Ltd. As of the report date, the TASE Member is the market maker of 102 securities.

In addition, the TASE Member extends its customers credit for securities activities.

During the past year, there was an increase in the number of private customers of the TASE Member, and the TASE Member invested significant marketing and sales resources, by expanding the marketing channels and increasing its manpower in order to support its increased activity in this area.

During the past year, the amount of credit extended to customers increased from approximately NIS 506 million in 2021 to approximately NIS 713 million in the reporting period.

The TASE Member provides its customers with deposit services (both deposits denominated in shekels and in foreign currency). All customers' funds are deposited by the TASE Member in trust with banking corporations according to the policy set by the TASE Member at its sole discretion, for variable periods, which are not necessarily identical to the depositing periods for which customers deposited their funds with the TASE Member. The TASE Member's profits in this area stem from the difference between the interest rate the TASE Member receives from banking corporations for various periods, and the interest rate it credits its customers with.

As part of executing the activities described above, the TASE Member provides clearing and operating services in respect of securities and funds, in accordance with and subject to the provisions of the TASE Rules and Regulations applicable to non-bank TASE members.

As of the report date, trading in stocks and bonds through non-bank TASE members represents a small portion of the trading turnover of this activity in the TASE.

2.5.2.9 ESOP Trust Services

ESOP is engaged in the provision of trust services to its customers, mainly in the following fields:

Trustee services to employee compensation plans governed by the provisions of Section 102 to the Income Tax Ordinance [New Version], 1961 (hereinafter - the "**Income Tax Ordinance**"). Trustee services (including tax withholding agent services) as part of M&A transactions. Trustee for lock-up in accordance with the provisions of the TASE Rules and Regulations (in an IPO). Source code escrow - as part of which the source code of various software is deposited with ESOP.

In consideration for the trust services, ESOP is entitled to trustee's fees and other various payments as set out in the trust agreement to which ESOP is a party. It should be noted that for the purpose of providing the trust services, ESOP uses accounts with the TASE Member, and most of its customers' accounts are managed with the TASE Member.

2.5.2.10 Alternative Investments in The Phoenix Group

As part of implementing the Group's strategy of enhancing the area of alternative assets offered to investors, in recent years the Group started taking steps to develop and distribute alternative investment products. As of the report date, the total amount raised in respect of all alternative investment products was NIS 6.1 billion. As of the report date, the activity is carried out under The Phoenix Advanced Investments Ltd. (hereinafter - "**The Phoenix Advanced Investments**"), which outlines the activity in this field and its development through subsidiaries and/or related companies, as described below. For further details, please see Section 1.3.9 above.

Set forth below are the key activities in the area of alternative investments:

2.5.2.10.1 The Phoenix Capital Ltd.

The Company, through The Phoenix Advanced Investments, has a 65% interest in The Phoenix Capital Ltd. (hereinafter - "**The Phoenix Capital**"). For further details, please see Section 1.3.10 above. The Phoenix Capital serves as the general partner in the following funds:

The "Anchor" fund: the Anchor fund was launched in February 2018 (The Phoenix Anchor Fund L.P.). The Anchor fund invests in CLO bonds abroad. The fund focuses on qualified investors. As part of the agreement for the establishment of the fund, The Phoenix Investments has undertaken to provide a number of services for the fund's management. In addition, The Phoenix Insurance and/or subsidiaries under its control provide a guarantee to the credit facility extended to the fund by a banking corporation; in the reporting year, the credit facility increased to USD 40 million.

Pollen Fund: In June 2021, The Phoenix Capital established The Phoenix Credit Strategies Fund, L.P., a feeder fund for investment in a fund under the management of Pollen Street Capital. The fund provides credit to non-bank lenders in Europe.

"The Phoenix Invest Varied Debt Strategies Israeli Partnership" fund: In February 2019, The Phoenix Capital established the said fund, which constitutes a cluster of funds that invest in non-bank credit platforms in Israel and abroad, as well as in debt funds. As part of the agreement for the establishment of the fund, The Phoenix Insurance has undertaken to provide a number of services for the fund's management.

Co-Invest Funds: As part of the Company's policy. The Phoenix Advanced Investments continues with the establishment of co-invest funds that will invest - alongside The Phoenix group - in a range of investment areas in accordance with the provisions of the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Collaboration with a Related Fund).

The "Phoenix Real Estate Debt" fund: The Phoenix Capital owns 50% in the general partner The Phoenix Financial Technologies Funds (hereinafter - "**Technologies Funds**"). Technologies Funds serves as the general partner of the Phoenix Real Estate Debt fund, which invests in bridge loans backed by housing real estate properties in the USA. The fund focuses on qualified investors. As part of the agreement for the establishment of the fund, The Phoenix Investments has undertaken to provide a number of services for the fund's management. In addition, The Phoenix Insurance and/or subsidiaries under its control provide a guarantee to the credit facility extended to the fund by a banking corporation totaling USD 60 million.

2.5.2.10.2 The Phoenix Value Advanced Investments Ltd.

The Company has a 50.1% interest in Phoenix Value Advanced Investments Ltd. (hereinafter - the "**The Phoenix Value**") through The Phoenix Advanced Investments Ltd. The Phoenix Value operates as follows in the field of alternative investments:

P2P fund: The Phoenix Value has a 95% interest in The Phoenix Value P2P General Partner Ltd., which serves as the general partner of a partnership engaged in the field of purchase of loans from on-line platforms in the USA. As a public fund, the fund is also designated for non-qualified investors. On March 2, 2023, the partnership published an immediate report on an update regarding the method of redemption of the partnership's participation units, in view of accelerated increase in the volume of redemption requests received by the partnership, alongside the uncertainty as to its ability to raise funds in view of the economic conditions in the market, and in view of discussions held by the partnership with the Israel Securities Authority.

Urban regeneration fund: As of the report date, The Phoenix Value holds 100% of The Phoenix Value Urban Regeneration General Partner Ltd., which serves as the general partner of a partnership engaged in urban regeneration. As a public fund, the fund is also designated for non-qualified investors.

Distribution of international investment funds: In addition to the above, The Phoenix Value has a 85% interest in The Phoenix Value Feeder Funds Advanced Investments Ltd., which serves as a distributor, mostly through designated limited partnerships which are feeders of a number of alternative investment funds, mainly to qualified investors.

2.5.2.10.3 Phoenix Investment Funds Ltd.

The Phoenix Investment Funds Ltd. - a wholly owned company of The Phoenix Advanced Investments - is the general partner in the "Phoenix Co Invest" fund ("Phoenix Co-Invest Private Equity"), which commenced its operations in June 2019 and invests - together with The Phoenix Group - in private equity and infrastructure transactions where there is surplus allocation. The fund ended its fund-raising phase, and is currently approaching the end of its investment period.

2.5.2.10.4 Excellence Alternative Assets Ltd.

Excellence Alternative Assets Ltd. offers qualified customers investments in alternative products, mainly through the setting up of special-purpose limited partnerships, which serve as feeder funds that invest in leading funds. As described in Section 2.5.1.2 above, the setting up of the alternative products activity was transferred to The Phoenix Advanced Investments in June 2022.

2.5.3 Breakdown of revenues and profitability of products and services

The following are details of the Investment House's revenues by subsegments included in the Company's financial services segment, costs attributable to these subsegments, and their operating profit, as of December 31, 2020, 2021, and 2022 (in NIS millions).

	Stock exchange and trading services			Investment management (ETFs, mutual funds, and portfolio management)			December 31, 2022	Other (**)	
	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2022	December 31, 2021	December 31, 2020		December 31, 2021	December 31, 2020
Total revenue	174	120	120	248	271	248	58	38	47
Variable costs that do not constitute income in another subsegment	9	10	11	87	81	71	(*)	4	(*)
Fixed costs that do not constitute income in another subsegment	98	92	63	108	108	105	40	30	23
Total costs	107	102	74	195	189	176	40	34	23
Operating profit	67	18	46	53	82	72	18	4	24
Total assets	1,379	973	754	1,306	890	1,193	433	434	383
The minority share in the subsegment from external	-	-	-	7	12	11	-	-	(*)

An amount lower than NIS 1 million

** Due to continued decline in the activity and the failure to meet the criteria for reporting as a segment, the investment banking and underwriting segment was restated under other activities, including in the comparative figures.

2.5.4 Customers

- Mutual funds are marketed to the general public.
- Customers in the investment portfolio management segment include institutional customers, various types of corporations (companies, non-profit organizations, local authorities, kibbutzim, etc.), as well as private customers. The relationships between the Investment House and its customers in the investment management segment are mostly long-term relationships. However, there is no minimum engagement period, and the parties may terminate the engagement at any time, subject to the provisions of the agreement and the law.
- Customers in the underwriting and investment banking segment are mainly private and public companies seeking to raise capital or offer securities to the public.
- Customers in the trading and stock exchange services segment are primarily institutional entities in Israel and abroad, qualified customers and private companies and individuals.
- Customers in the area of alternative products are qualified customers, which are mostly corporations and private customers in Israel. In the public funds there are investors who are not qualified investors.
- The customers in the trust services subsegment are Israeli or foreign private customers and corporations (both private companies and publicly-traded companies), which wish to benefit from ESOP's basket of services, including trust services in M&A transactions, trust services for equity-based employee benefit plans, source code escrow services, ESOP as a paying agent and more.

2.5.5 Marketing and distribution

- In the investment management and marketing segment, portfolio management marketing is carried out through a network of independent agents, private providers of potential customers and a number of telemarketing representatives engaged in recruiting customers through proactive telephone calls.
- Marketing of mutual funds mainly carried out through investment advisors at the branches of the various banks, institutional entities and portfolio managers, as well as through advertising on various media channels.
- Marketing of the trading activity is mainly carried out through advertising in digital media, including on the Investment House's website and other websites, apps, as well as independent agents the TASE Member works with, who receive fees and commissions in respect of customers they recruit.
- The marketing and distributing of the alternative products, which are marketed to qualified investors by The Phoenix Advanced Investments, is mostly carried out by agents and/or Family Office, with whom the Group works, in addition to direct marketing. Furthermore, the public funds are marketed directly by the Group - by means of digital marketing, telemarketing and internal marketing.

2.5.6 Competition

Investment marketing and management

In Israel, there are numerous organizations specializing in portfolio management for others and in the provision of investment marketing services. The main competitors are the large entities. The Investment House believes that it is one of the leading companies in the field of portfolio management in Israel. It seems that most of the competition in this area in future years will take place in the sphere of digital portfolio management and investment marketing, with market players investing substantial resources in such platforms. The mutual funds sector is also characterized by a large number of competitors and by fierce competition. Competition is primarily against other mutual fund managers and alternative products. In recent years, competition has become fiercer and is manifested, inter alia, in competition on management fees, good performance measured according to yields, and risk indicators which will lead, inter alia, to higher ratings.

The banks' rating systems are extremely important to the competition in this industry, as investment advisors and customers base their investment decision process on such ratings. To the best of The Phoenix Investment House's knowledge, the banks have several rating systems based on various models, and the Investment House is unable to estimate the model determined by each bank. Competitors in the TASE Member's market are bank and non-bank TASE members. As of the report date, there are 11 TASE members that are Israeli banks, 5 non-bank TASE members, 3 foreign banks, and 3 remote members. Competition between TASE members focuses on fees and commissions rates, quality of service and analytics, and a range of services offered to customers. The Investment House's market share varies by type of activity. In recent years, the banks clearly strengthened their hold on the brokerage market, fees and commissions have been reduced, and regulatory requirements increased.

2.5.7 Fixed Assets

In April 2013, the Investment House signed a lease agreement with Amot Investments Ltd. (hereinafter - "**Amot**"), whereby the Investment House leased from Amot six floors of office space in the building known as Amot Platinum in Kiryat Arie, Petah Tikvah. The lease was signed for a period of 10 years, which began in the first quarter of 2014, with two optional lease extension terms of 5 years each.

2.5.8 Human capital

Description of the organizational structure

In March 2022, Ms. Hanna Hollander and Mr. Eyal Ben Simon ended their term in office and the CEO of the Investment House and the Chairman of the Board of Directors, respectively. In April 2022, Mr. Avner Hadad started serving as the CEO of the Investment House (in addition to his role as a joint CEO in KSM Mutual Funds). Furthermore, as from that date, Mr. Boaz Nagar started serving as

the Chairman of the Board of Directors of the Investment House (instead of Mr. Eyal Ben Simon and in addition to his role as the Chairman of the Board of Directors of KSM Mutual Funds).

Material changes in the workforce:

	2022	2021
No. of employees at end of year	423	406

Benefits and the nature of employment agreements

The majority of the Investment House's employees have written personal employment contracts in place. The majority of the Investment House's employees employed in professional positions receive, in addition to their base salary, annual bonuses at varying rates. The Investment House's executives are eligible for bonuses calculated as a variable rate of the annual financial performance of specific consolidated companies. Certain employees of the Investment House are eligible for bonuses calculated according to transaction volumes, or according to other preset criteria.

The Investment House gives its employees bonuses according to their bonus agreements. Bonuses to the Investment House employees are determined by the its earnings, the earnings of its subsidiaries, and additional components according to each employee's position and purview, subject to applicable statutory restrictions, if any.

The Investment House's employment termination liabilities are determined in accordance with the law and employment agreements. The Investment House's liabilities for base salaries in respect of employment termination are covered by current ongoing contributions and accrued amounts in pension funds, severance pay funds, and executive insurance policies. The Investment House also complies with the provisions of the expansion order for comprehensive pension insurance for some of its employees who, as of the order's effective date, were not eligible to pension arrangements to their benefit.

The alternative investments activity - in January 2022, Ms. Tali Shalit was appointed to the role of CEO of The Phoenix Advanced Investments.

2.5.9 Suppliers

- 2.5.9.1** The TASE member has an agreement with service organization FMR Computers and Software Ltd. (hereinafter - "**FMR**"), according to which the TASE Member receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. The said agreement is material to the TASE Member, as well as to other non-bank TASE members, due to significant dependence on this IT service provider since, as of the reporting date, there

is no other available supplier for the services that the Investment House receives from FMR, and without the FMR system, the TASE Member will be unable to provide TASE member services. In 2021, the services agreement with FMR was extended through June 2025.

2.5.9.2 The TASE Member has an agreement with Danel Financial Solutions Ltd. (hereinafter - "**Danel System**"), which provides IT systems used for day-to-day operations. The TASE Member uses the Danel System to review compliance with its customers' investment policy and with the Company's policy, to calculate the portfolios' exposures, manage various control reports, to produce periodic statements for its customers, and more. Danel System is the main system used by the employees of the TASE Member in the portfolio management activity. This constitutes a material agreement for the TASE Member regarding portfolio management activity.

2.5.9.3 For further details about the lease agreement between the Investment House and Amot Investments Ltd., please see Section 2.5.7 above.

2.5.9.4 In March 2022, the TASE Member entered into an agreement with E&A Financial Software Ltd. (the "**Trade One**" system), which provides a trading system, and which started a testing process in the TASE Member in September 2022; as from the third quarter of 2023, the Trade One system is expected to be available to all TASE Members. The Trade One system is expected to be the main system that will be used by customers of the TASE Member as part of their day-to-day trading activity.

2.5.9.5 KSM Mutual Funds entered into agreements with index developers for the purpose of issuing tracker funds, and in agreements for operating mutual funds with First International Bank and other banks. For further details, see Section 2.5.12 below.

2.5.10 Investments

2.5.10.1 Following the recommendations of the Committee for Increasing Trading Competition and Liquidity on the Stock Exchange, the ownership structure was changed by allocating shares to TASE members based on an economic model that had been formulated. As of the report date, the Company holds approximately 2.9% of the issued share capital of the Tel Aviv Stock Exchange Ltd. It should be noted that the sale of the aforesaid shares is subject to a price cap. If the shares are sold for a price which is higher than the said cap, the consideration paid in respect thereof shall be transferred to the Tel Aviv Stock Exchange. Furthermore, the holding of more than 5% of the shares of the Tel Aviv Stock Exchange Ltd. is subject to obtaining a permit from the Israel Securities

Authority. The Investment House does not hold or manage a nostro portfolio for itself, except of the said holding.

2.5.10.2 In 2021, Excellence invested in a company operating as an investment house in the field of cryptocurrency, against the allocation of 49% of that company's issued capital (47% on a fully diluted basis). The investment agreement sets a mechanism for updating Excellence's holding rate in the said company (out of the remaining existing shareholders), such that upon the occurrence of transactions of investments in the said company's capital at a company value exceeding an amount set in the agreement, Excellence's holding rate in the company may decrease to up to 40% (fully-diluted).

2.5.11 Financing

The Phoenix Investment House finances its operations using its own sources, banking sources, and non-banking sources. The Investment House's main operations in the securities segment usually require liquid cash assets, which are mainly financed by its equity capital, bank credit and loan from the Company. The Investment House does not have restrictions on obtaining credit facilities.

Following is the balance of the Phoenix Investment House's outstanding liabilities (in NIS millions):

	As of December 31, 2022	As of December 31, 2021	As at December 31, 2020
Short-term credit and loans	577	157	67

Short-term credit - credit is used for transactions in financial instruments, the TASE Member's credit activity, and for Excellence's operating activities, and bears a variable interest rate ranging from 3.55% to Prime minus 1.1%. For USD-denominated credit at interest of SOFR minus 0.15%.

In the reporting period, the Investment House utilized, from time to time, available credit facilities according to its current needs and liquidity (the Investment House did not fully utilize its available credit facilities). The available credit facilities do not limit the Investment House in its current activity.

2.5.12 Material agreements

- a. **Operation of funds** - as of the report publication date, some of the Mutual Funds of KSM Mutual Funds are operated by KSM Mutual Funds (for ETFs and some tracker funds), and some are operated by First International Bank of Israel Ltd. (for managed funds and some tracker funds). In addition, various banks provide brokerage services and custodian services. Furthermore, Bank Hapoalim Ltd. provides TASE member services to the mutual funds operated by KSM Mutual Funds.

KSM Mutual Funds' management believes that, although it is not dependent on either of these suppliers (as services are rendered by a number of suppliers under competitive terms), switching to a new service provider may involve significant costs and a relatively long implementation period. The Investment House is potentially exposed to operational risks due to the need to routinely adapt operations to ever-evolving regulatory requirements; the Investment House is also exposed to operational risks from malfunctions in its computer and/or communications systems with the operating bank, which may cause interruptions in transfer and withdrawal orders in the segment's products, and indirectly undermine the Investment House's reputation.

b. **Agreements between index developers and KSM Mutual Funds**

Issuance of tracker funds on a securities index requires a license from the index developer, who is also responsible for the index being calculated and published, and the fund manager undertook to indemnify the index developer for expenses and damages caused to them due to claims and proceedings related to the tracker funds.

It is noted that, in recent years, there has been an increase in payments for licenses to index developers. The growth stems from the expansion of products and the increase in the license fee amount, which are calculated according to total assets under management.

- c. In October 2018, an agreement between KSM Mutual Funds and a sister company thereof (hereinafter - the "**Market Maker**") - for the provision of money making services in respect of ETF units managed by the Money Maker - entered into force. Pursuant to the agreement, the Market Maker provides money-making services to ETF units. The Market Maker is required to comply with the rules set in Chapter I of the Third Part of the TASE Rules and Regulations, and the guidance provided therein in relation to market making, as revised from time to time. At the end of each trading day, the Market Maker works with the ETF's manager to redeem and create the fund's units in consideration for the assets comprising the tracker asset of the ETF, including other assets creating an exposure for these assets, as well as cash (hereinafter, jointly - the "**asset mix**"). The asset mix and the manner of its transfer between the Money Maker and the ETF manager are described in the prospectus of each ETF and/or in KSM Mutual Funds' reports to the public.
- d. Liquidity agreement between the Phoenix Insurance and the TASE member - In 2017, The Phoenix Insurance signed a master credit facility agreement extending no more than NIS 400 million in credit to the TASE Member; the funds will be used to bridge liquidity timing differences that may arise if customers of the TASE Member withdraw their deposits and the TASE Member does not have sufficient funds to cover such withdrawals.

- e. For further details about the lease agreement between the Investment House and Amot Investments Ltd., please see Section 2.5.7 to the Report.
- f. For details about the agreement between the TASE Member, a subsidiary of the Investment House, and FMR Computers and Software Ltd., please see Section 2.5.9.1 above.
- g. For further details about the agreement between the portfolio management company and Danel Financial Solutions Ltd., please see Section 2.5.9.2 above.

2.5.13 Legal proceedings

For more information see Note 42 to the financial statements;

2.5.14 Objectives and business strategy

As part of The Phoenix's strategic plan, in the reporting year The Investment House focused its activity in the area of activity of KSM Mutual Funds, the TASE Member, portfolio management and ESOP. In order to establish a growth strategy, The Investment House works to utilize economies of scale and to find solutions for the provision of financial services through digital means, both in the field of asset management and in the field of distribution.

During the reporting year, The Investment House placed an emphasis on improving its performance in the field of mutual funds management. The Investment House works to increase its market share in passive and active funds, both through organic growth (by utilizing the combined sales function of the passive and active funds) and through mergers and acquisitions, among other things through the acquisition of mutual funds from Epsilon and Psagot; it also works to establish its position as a leading investment house in the field of short-term asset management.

Furthermore, The Investment House works to expand its activity in the field of brokerage services to individuals and corporations through the TASE member by way of recruiting new customers, while providing them a digital services offering that integrates all Group's areas of activity into The Investment House; The Investment House also works to increase total assets under management in the field of portfolio management, both through organic growth (through improving the quality of its investment management) and through mergers and acquisitions.

The Investment House will continue to set the standard for high service level to its customers, and will reinforce the relationship with its customers and distributors, with emphasis on regulation, supervision, control and auditing.

2.5.15 Risk management and enforcement, control and supervision mechanisms

The Phoenix Investment House has corporate governance activities for risk management, which includes three defense lines:

The first line of defense - the Investment House's business and operating units which undertake risks as part of their activities and participate in the processes of identifying and assessing risk, taking preventative measures, mitigating risks, and monitoring and reporting them. This includes the risk control departments in the subsidiaries. The second line of defense - the Investment House's risk management functions. The third line of defense - the board of directors, the committees of the board of directors and the internal auditing function.

Set forth below is the structure of The Investment House's risk management, control and monitoring function:

The Investment House has a central Risk Management Department for the entire Group with a Risk Management Manager reporting to the CEO of The Investment House. The Investment House's Chief Risk Officer is responsible for increasing risk management in The Investment House, establishing a uniform approach and a shared, clear vision of The Investment House companies' risk management objectives, as well as maximizing value for Investment House-level management.

The Risk Management Department is charged with risk management in the Investment House through "differential binding professional guidelines" issued to the subsidiaries. This format is applied to each subsidiary and each line of business based on each company's profile, operations, and the economic and commercial environment in which it operates.

Risk management auditors in the subsidiaries report to the subsidiary's CEO, but receive professional guidance from the Chief Risk Management Officer. The Risk Management Department manages operational risks and financial risk (market, liquidity and credit risks) and business continuity in the Investment House and its subsidiaries. The department operates alongside the Regulation and Compliance Department, which is charged with managing legal risk in the Investment House.

In addition, some of the companies have compliance officers, who are in charge of compliance and prohibition of money laundering. Their role includes, among other things, monitoring the compliance of the relevant organs with the provisions of the laws applicable thereto, including the TASE Rules and Regulations and its guidelines.

IT risks, including cyber protection and information security are managed by the IT Department and the head of information security.

The Investment House appointed an officer in charge of privacy protection, whose role is to mitigate the privacy protection risks and report to subsidiaries' managements and boards of directors.

In the framework of its risk-management function, the Investment House has a control function that examines, among other things, credit activities, risks and investments, including through credit and investment controllers.

The Investment House conducts periodic risk and compliance surveys in accordance with the provisions of the relevant regulations and/or proactive surveys in order to increase the efficiency of its activities, and maintain monitoring and control thereon. The risk surveys include mapping and identifying of risks in the Investment House's different areas of activity and the scope of exposure arising therefrom, as well as recommending steps to mitigate the risks. The risk and compliance surveys are presented to the Audit Committee and boards of directors of the companies whose activities were surveyed; based on the surveys, multiannual work plans are prepared to close the gaps and minimize risks in the audit, control, compliance and risk management areas.

The Investment House has an internal audit division that includes an internal auditor who is responsible, inter alia, for implementing annual and multi-year work plans for the internal audit function, and monitors implementation of findings and reporting.

Some of the Investment House's subsidiaries have internal enforcement programs for securities, as a direct result of the Improvement of the Israel Securities Authority's Enforcement Procedures (Legislation Amendments) Law, 2011, and the Increasing Enforcement in the Capital Market (Legislative Amendments) Law, 2011. Changes in these plans are approved by the Board of Directors of the relevant subsidiary from time to time.

During the reporting year, the Investment House continued to address risk management in the various companies in the Group, with emphasis on developing risk factors in accordance with the global Covid-19 crisis.

2.5.16 Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of the Investment House's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks that are specific to the Investment House. The risks are ranked according to the assessment as to their effect on The Investment House's business as a whole made by The Investment House's management. For further details, please see Note 40 to the Financial Statements.

Type of risk	Summary description	The extent of effect on The Phoenix Investment House's business
Macroeconomic risks	The economic conditions, including employment levels	Moderate
	Market risks	Moderate
Industry-specific risks	Market failure and illiquidity	High
	Decline in scope of activity and in the value of assets under The Phoenix Investment House's management	Moderate
	Customer credit	Moderate
	Dependency on third parties and dependency on a supplier	Moderate
	Operational risks and trading errors	High
	Business continuity	High
	Regulatory risks and regulatory changes	High
	Legal risks and class actions	High
	Industry-specific risk in the field of ETNs	Moderate
	Cyber risks	High
The Phoenix Investment House's specific risks	Human capital	Moderate
	Reputational risk	High
	Independent operation of ETFs	High

It should be emphasized that there are other risk factors that are specific to each of the Investment House's areas of activity that are not detailed below but which could affect them.

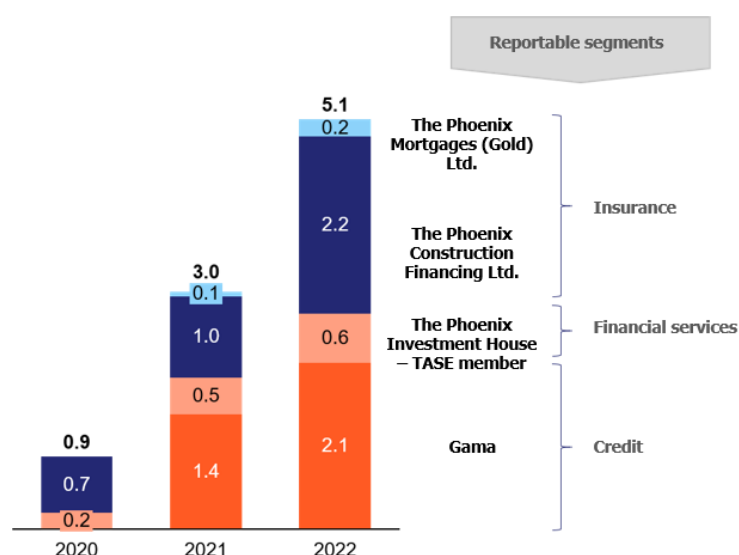
The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.6 The Credit Segment

2.6.1 General information about the segment

General

The Company operates in this area of activity through a number of Group companies, the main one of which is Gama Management and Clearing Ltd. (hereinafter - "**Gama**"). Furthermore, the Group has a number of other credit entities that use the Group's nostro funds and provide financing to construction projects, mortgages to senior citizens and other entities. These activities are not included in the credit segment. As of the report date, the total amount of the Group's credit activities through all of the above-mentioned entities is NIS 5.1 billion, as described in the following chart:



The core activity in the credit segment as of the report date was Gama's activity. Gama is a publicly-traded company, which is traded on the TASE. Gama renders financial services and credit services to companies and businesses. Set forth below is the Company's description of Gama's key activities.¹⁷

Gama - General

As from June 2021, the Phoenix Group is the controlling shareholder - 60% on a fully diluted basis - of the issued and paid-up share capital and voting rights of Gama; Gama IPOed on the Tel Aviv Stock Exchange Ltd. in 2021.

Gama is a financing company that renders financial services and credit services to companies and businesses in Israel.

¹⁷ For detailed information regarding all aspects of Gama's activity, see Gama's 2022 report: <https://maya.tase.co.il/reports/details/1509806/2/0>.

Gama was assigned an Aa3 rating with a stable outlook by Midroog in 2006, and maintained this rating ever since; the latest affirmation of the rating took place on June 9, 2022.

Gama's management is highly experienced in the field of business credit. This management team is supported by a sales and business division, most of the managers and representatives of which are long-serving Gama employees.

Gama has approximately 15,000 customers, who conducted transactions with Gama during the 12 months prior to the report date, and to whom it provides credit solutions as well as comprehensive financial solutions, which are uniquely based on the various types of credit products offered by Gama through a single dedicated platform. Gama's customers come from a range of fields, including commerce, services, retail and industry in Israel.

Gama has a customer base comprising thousands of customers in the field of payment cards clearing and factoring (as an aggregator); among its customers are leading Israeli commerce and retail companies, including leading chain stores and leading Israeli commerce and services companies. Those customers opt to use Gama's services due to its unique solutions, technological capabilities, and its one-stop-shop systems.

In the field of payment cards, Gama has independently-developed information systems it uses to manage its activity during its years of activity and to provide services and information to customers, including systems for payment cards reconciliations.

Alongside its credit card clearing activity (as an aggregator), Gama also offers credit to be used for its customers' business activity.

Gama works to leverage the synergy between its range of credit and finance products to generate added value to its customers, such as in the form of various types of credit offerings adapted to various dedicated objectives in accordance with the customers' various needs using a single financial system.

Set forth below is a breakdown of Gama's customers by years of doing business with the company* -

Number of customers	In the first year of the contract	One to two years	Two to three years	Between three and five years	Five years and up
14,785	3,286	2,965	1,854	2,794	3,886

* In this table, the population of customers for each year includes the customers that were active during that year. The period during which the customer has been doing business with Gama refers to the date on which the customer conducted its first ever transaction with Gama.

Set forth below is the development in the number of Gama's active customers in recent years –

2022	2021	2020
14,785	12,709	10,942

Gama Subsidiaries

Gama has two wholly-owned subsidiaries (100%): Gama Personal Direct Financing Ltd. (hereinafter - "**Gama Financing**") and Control Credit Adjustments Ltd. (hereinafter - "**Control**"); both companies were incorporated in Israel. Furthermore, Gama has a 50% stake in Caspogama Advanced Payment Solutions (2014) Ltd., which was incorporated in Israel.

Gama's areas of activity

Both Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets from the Capital Market, Insurance and Savings Authority (hereinafter - the "**Capital Markets Authority**") in accordance with the Financial Services Supervision Law (Regulated Financial Services), 2016 (hereinafter - the "**Financial Services Law**").

Gama operates own its own and through its subsidiaries in the following operating segments:

1. Clearing aggregator and factoring of payment card vouchers

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama operates as a clearing aggregator; that is to say, it aggregates payment card debit and credit transactions for many businesses, with the clearing fee paid by the business being agreed upon between the business and Gama.

Furthermore, as part of its payment cards activity, Gama provides businesses with the service of factoring payment cards vouchers.

2. Financing against post-dated checks (check factoring)

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama provides funding to companies, businesses or credit providers against the assignment or delivery of post-dated checks issued by third parties - this activity is also known as checks factoring.

3. Financing provided against real estate assets

This activity is carried out by Gama and by Gama Financing. As part of this activity, Gama provides customers with loans against which a pledge is placed (mostly first-ranking pledge) on assets, land and real estate.

4. Additional (other) areas of activity

Gama also operates in a number of other areas of activity, such as: loans and credit to businesses, factoring (financing against invoices), business guarantees, and financing of equipment.

The following table provides data as to Gama's overall annual transaction turnover in millions of NIS in 2020-2022:

2022	2021	2020
38,950	*34,015	*27,978

* Following a change that took place in 2022 in connection with the method used by the chief operating decision maker to assess the activity volumes of some of the subsegments (checks factoring, financing against real estate assets and other activities), the volumes of activity in respect of those subsegments were restated as part of the comparative figures relating to 2021 and 2020 such that they do not include the interest in respect thereof.

Financial information about Gama's areas of activity:**Breakdown of financial data as of December 31, 2022 or Y2022 (as the case may be) (in NIS thousand)**

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	434,347	54,640	66,540	25,157	(339,805)	240,879
Finance expenses	339,805	18,958	24,408	9,541	(339,805)	52,907
Net finance income	94,542	35,682	42,132	15,616	-	187,972
Expenses for doubtful and bad debts	73	6,355	2,186	1,632	-	10,246
Selling and marketing expenses	-	-	-	-	5,696	5,696
General and administrative expenses	-	-	-	-	87,443	87,443
Other income	-	-	-	-	(59)	(59)
Profit before tax in the period						84,528
Taxes on income	-	-	-	-	22,332	22,332
Net income						62,196
Comprehensive income						63,414
Total assets	1,391,757	673,063	1,075,010	372,419	-	3,512,249

Breakdown of financial data as of December 31, 2021 or Y2021 (as the case may be) (in NIS thousand)

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	354,633	32,021	30,877	14,395	(280,792)	151,134
Finance expenses	280,792	6,759	10,041	4,374	(280,792)	21,174
Net finance income	73,841	25,262	20,836	10,021	-	129,960
Expenses for doubtful and bad debts	(735)	1,574	592	(1,056)	-	375
Selling and marketing expenses	-	-	-	-	2,538	2,538
General and administrative expenses	-	-	-	-	70,898	70,898
Listing expenses	-	-	-	-	32,871	32,871
Other income	-	-	-	-	59	59
Profit before tax in the period						23,337
Taxes on income	-	-	-	-	8,257	8,257
Net income						15,080
Comprehensive income						14,754
Total assets	1,144,050	580,787	671,203	218,412	-	2,614,452

Breakdown of financial data as of December 31, 2020 or Y2020 (as the case may be)
(in NIS thousand)

	Clearing and factoring credit vouchers subsegment	Checks factoring subsegment	Financing activities subsegment vs. real estate properties	Other	Unattributed and adjustment	Total
Finance income	322,913	26,010	23,413	14,906	(252,621)	134,621
Finance expenses	252,621	5,579	6,678	4,444	(252,621)	16,701
Net finance income	70,292	20,431	16,735	10,462	-	117,920
Expenses for doubtful and bad debts	(781)	(232)	2,184	1,538	-	2,709
Selling and marketing expenses	-	-	-	-	1,951	1,951
General and administrative expenses	-	-	-	-	61,428	61,428
Other income	-	-	-	-	97	97
Profit before tax in the period						51,735
Taxes on income	-	-	-	-	12,746	12,746
Net income						38,989
Comprehensive income						39,602
Total assets	1,356,435	326,653	431,720	180,333	-	2,295,141

The nature of adjustments made to the financial data as of December 31, 2022, December 31, 2021 and December 31, 2020 is as follows:

In the field of credit vouchers clearing and factoring - finance income against finance expenses presented in the table reflect Gama's turnover of activity with the businesses and financing entities;

Selling and marketing, general and administrative expenses are presented in the adjustments column since Gama does not allocate those expenses to the different operating segments.

2.6.2 Key Developments in Gama's Activity

Investments in the Gama's Equity and Transactions Involving its Shares

In June 2022, the company completed an issuance of shares by way of issuance of rights to holders of its ordinary shares; as part of the issuance, Gama received subscription announcements in respect of 99.5% of the total number of shares offered as part of the issuance. The proceeds received by Gama as part of the share issuance amounted to NIS 119.5 million.

Dividend distribution policy

In March 2023, Gama's Board of Directors approved the re-adoption of a dividend distribution policy (that was first adopted by the Board of Directors on April 20, 2021). As part of the dividend distribution policy, every quarter Gama will declare the distribution of a dividend out of its distributable profits that have not been previously distributed, as arises from Gama's reviewed or audited consolidated financial statements, in accordance with the Board of Directors' discretion. The dividend rate will not be lower than 30% of the

annual net income as per Gama's latest reviewed or audited consolidated financial statements, provided that the dividend distribution shall meet the requirements of the law. It should be clarified that the foregoing is not intended to derogate from the power of Gama's Board of Directors to decide not to distribute a dividend or to distribute a dividend at rates that vary from what is stated above, all as it deems appropriate at any given time, subject to the provisions of the law.

2.6.3 General environment and effect of external factors on Gama's activity

The Israeli corporate credit market - covering the provision of credit to wholesale and retail companies and businesses from all operating segments of the Israeli economy - is mainly controlled by banking corporations and institutional entities. Other market players include the payment card companies, credit funds and non-bank credit companies.

In recent years, regulators introduced many regulatory measures aimed at regulating the field of financial services in Israel in general and the field of non-financial credit in particular, while increasing competition in these fields and providing consumers with a regulated alternative alongside or in collaboration with the services currently provided by banking corporations and institutional entities; those regulatory measures are also aimed at issuing licenses to entities operating in the market in order to prevent entities involved in illegal activity from operating in this field.

In addition, in recent years regulators have also introduced regulatory measures aimed at increasing competition among entities providing the most common financial and banking services (following the recommendations of the "Strum Committee"); those new regulatory measures included, among other things, legislation whose aim was to increase competition and reduce concentration in the Israeli banking market, as well as to increase the competition in the clearing market by regulating the activity of clearing aggregators - a field in which Gama operates under agreements with CAL and Isracard, alongside the legislation that led in the past to the regulation of the factoring market.

Furthermore, in recent years we witnessed a trend of expansion in technological financial services and solutions; those included local and international payment apps, the entry of multinationals such as Apple Pay and Google Pay to the payments market, and the provision of credit through technological platforms. This trend expanded the services offering and the potential of creating other regulated market players that will operate as an alternative to, alongside or in collaboration with banking corporations and institutional entities. This potential expansion of the means of payment offered to businesses is in line with Gama's activity to date; Gama's objective is to provide businesses solutions that will maximize value for them by providing them a one stop shot providing as many financial services and financing solutions as possible.

Concurrently, on June 14, 2022, the Open Banking Reform came into force in accordance with **the Financial Information Service Law, 2021** (hereinafter - the "**Financial Information Service Law**"), that allows entities holding the required license to obtain, at the consent of the customer, online access to financial information about the customer from sources of financial information for the purpose of providing various services to the customer, including offering products or financial services to the customer. At the same time, the Financial Information Service Law requires sources of information that hold financial information pertaining to the customer to give financial information service providers online access to the customer's financial information (provided that the customer has given his/her consent).

In accordance with the Financial Information Service Law, an entity holding a license to provide credit, such as Gama, may act as a provider of financial information services after obtaining the Capital Markets Authority's approval. After the law came into force, the Capital Markets Authority published circulars regarding "Directives to Financial Information Service Providers", that prescribe provisions regarding the manner by which such a license may be obtained, as well as provisions regarding the activity of a credit provider license holder as a financial information service provider.

Furthermore, in accordance with the Financial Information Service Law, a credit provider license holder, such as Gama, is considered a source of information, that will be obliged to give access to financial "information about credit", in accordance with the dates set out in the law.

In Gama's opinion, in the next few years these trends will lead to increased growth in the non-banking credit market and the financial services market, as an alternative to, alongside or in collaboration with banking corporations and institutional entities, and accordingly also to continued growth in the Gama operation.

2.6.4 General information about Gama areas of activity

2.6.4.1 Clearing aggregator and factoring of debit vouchers

The two key services in this subsegment are clearing aggregator of payment cards and factoring of payment card vouchers. The services are provided to businesses with whom Gama enters into engagements.

Gama, on its own and through its subsidiary - Gama Financing - operates as a clearing aggregator. As of the date of this report, Gama has a material clearing aggregation agreement in place with CAL, and an immaterial clearing aggregation agreement with Isracard.

The Law for the Promotion of Competition and Reduction of Concentration in the Israeli Banking Market (Legislative Amendments), 2017 was published in 2017 as part of the "Strum Reform" (hereinafter - the "**Competition Promotion Law**"), whereby an entity providing clearing services shall only be allowed to refuse entering into engagement with clearing aggregators for reasonable

reasons and as provided by law. After the legislation of the Strum Reform and the Competition Promotion Law, Gama entered into a clearing aggregation agreement with CAL.

As part of its factoring of debit card vouchers, Gama brings forward payments to merchants in respect of clearing proceeds payable thereto by entities providing clearing services as a result of debit card transactions conducted by customers of those merchants, against the merchant's assigning to Gama its right to those proceeds.

In order to provide the vouchers factoring services outside its activity as a clearing aggregator, Gama has in place agreements with the entities providing clearing services: (CAL (including Diners), Isracard (including Premium Express Ltd. - American Express) and Max; those agreements allow Gama to provide payment card vouchers factoring services to merchants that have in place agreements with any of the said entities providing clearing services, with the latter undertaking - as part of the agreements - to pay Gama the clearing proceeds assigned to Gama by the merchant.

In this field of activity Gama also offers to its customers - and sometimes also to merchants that do not receive from Gama clearing aggregation and factoring services - additional relevant services.

In addition, Gama offers businesses the option to receive credit voucher reconciliation services through an independently-developed system; this service is provided by Control - a Gama subsidiary. As part of this service, Control analyzes information from various parties involved in the clearing process and presents customers with an analysis of the business's payment card activity, including information regarding transactions that were not paid by the clearing services providers, canceled and disputed transactions and more.

	Net revenues for the year ended			
	December 31, 2022		December 31, 2021	
	In NIS thousand	In %	In NIS thousand	In %
Clearing aggregator services	18,577	19.6	12,258	16.6
Factoring of debit vouchers	75,965	80.4	61,583	83.4
Total	94,542	100%	73,841	100%

2.6.4.2 Changes in the scope of operations and profitability of the subsegment

CAL's clearing aggregation agreement with Gama triggered competition in terms of the clearing fees paid by merchants to clearing aggregators and to entities providing the clearing services; the said agreement caused a decrease in clearing fees and reduced many merchants' costs relating to transactions conducted with payment cards, especially small and medium merchants. During the reporting period, Gama expanded the volume of its activity in this field, and its profits therefrom increased.

2.6.4.3 Development in the subsegment's market, or changes in its customers' characteristics

The payment card vouchers clearing and factoring market benefited from organic growth over the years as a result of population growth and improved living standards. Furthermore, in view of regulatory measures encouraging reduced use of cash and technological advancements, we are witnessing a transition from payment in cash to payment using other means of payments, such as payment cards, including digital means. In addition, the Strum Reform and the changes in triggered in the market resulted with a less concentrated clearing market and an increase in the market share of new players in the field of payment clearing - clearing aggregators.

2.6.4.4 Technological changes that may have a material effect on the clearing aggregator and factoring of payment card vouchers subsegment

The adoption of the EMV standard has made the use of payment cards even more secure. This process allows the introduction of other innovative technologies and payment methods, such as contactless payments. In addition, the development of other innovative technologies in the field of payment cards accelerated the transition to e-commerce, including using technologies that secure the payment, such as 3d Secure. The payment cards market adopts new clearing technologies, both in physical terminals and online, alongside the development of advanced digital payment options such as local and international payment apps (such as Apple Pay and Google Pay) and local and international digital wallets that offer various payment apps, through which transactions may be conducted both in physical terminals and online.

Currently, payment apps and digital wallets operate through payment cards; accordingly, Gama's clearing and factoring services are also required for payments made using such methods. The introduction of technological and regulatory changes that will allow direct payment from one account to another, rather than through a payment card, both in terms of payments for goods and services bought physically in businesses and regarding online payments for such goods and services, may adversely affect the scope of activity in the Israeli payment cards market, as well as Gama's activity in this field.

Gama continues to take steps to integrate its capabilities with the new means of payment and payment apps, in order to become a one stop shop offering a comprehensive solution for businesses encompassing all means of payment.

The development of authentication technologies allowed the regulator, which supervises Gama's activity - the Capital Markets Authority - to adopt recently a policy that allows the recruitment of new customers using remote authentication, even in cases where customer authentication is required as part of the know your customer process for anti-money laundering purposes; this allows a more efficient and faster customer recruitment process in terms of resources invested by companies.

2.6.4.5 Financing against post-dated checks (check factoring)

Post-dated checks (deferred checks) are a type of a bill whose characteristics are set in the Bills of Exchange Ordinance. Pursuant to the Bills of Exchange Ordinance, the person or entity writing the check is defined as the "drawer", and the check's payee, or the person or entity to whom the check was lawfully endorsed is defined as the "check holder". The service in this subsegment is the provision of credit to businesses against the factoring of checks, with the check's drawer being a third party.

2.6.4.5.1 Segment structure and changes therein

The principal players in this field are banking corporations and entities licensed to provide credit services.

2.6.4.5.2 Changes in the scope of operations and profitability of the subsegment

The significant accumulated interest rate hike in Israel since the second quarter of 2022 through the publication date of this report, and its consequences on the activity of the entire economy has impacted the increase of risk in the credit segment, and specifically in this subsegment. In view of these macroeconomic changes and the increased risk in this subsegment in particular, Gama took steps to mitigate the credit risk in this subsegment, including adjusting the interest margin and reducing the activity in this subsegment, in view of, among other things, the tightening of the underwriting terms and distribution process in this subsegment.

If the interest rates in Israel will continue to increase, this might affect the volume of Gama's activity in this subsegment, such that the decline in the activity in this subsegment might continue, and Gama's revenues might also decline accordingly.

2.6.4.5.3 Development in the subsegment's market, or changes in its customers' characteristics

In recent years competition in this subsegment intensified; this is reflected in an improvement of the services offered to customers. One of the key factors that impacted the change of the non-bank credit market in general and the area of check factoring in particular is the enactment of the Financial Services Law in 2016; this law was enacted in order to significantly regulate non-bank financial services thereby increasing efficiency levels in the market as well as the ability of non-bank entities to compete with banks and with one another. This regulation supports the expansion of the non-bank credit market and increases companies and businesses' awareness to the option of obtaining credit from such sources.

2.6.4.5.4 Technological changes that may have a material effect on the subsegment

The check factoring market is a traditional market that relies on the Bills of Exchange Ordinance. Currently, digital checks are not yet available.

2.6.4.6 Financing provided against real estate assets

This activity is conducted by Gama itself and by Gama financing. The activity mainly focuses on companies, businessmen and businesswomen, small and medium developers, investors and private individuals, who wish to obtain financing by mortgaging a real estate asset they own. The financing advanced in this area of activity can be used to purchase real estate assets, develop and improve the real estate, develop and improve the customer's business activity, and/or for other purposes. Normally, financing is provided for a period of up to five years.

In January 2023, Gama's Board of Directors approved a gradual entry into the construction projects financing activity, which includes, among other things, development of construction projects, and urban regeneration, National Planning Scheme No. 38/2 projects, and raze and rebuild projects. Gama is expected to commence its activities in this area during 2023.

2.6.4.6.1 Segment structure and changes therein

The scope of the financing against real estate assets subsegment is very wide; the subsegment includes, inter alia, support of building projects, investments in building projects, National Planning Scheme No. 38 projects, purchasing groups, and more. As of the report date, Gama's activity in this subsegment focuses on financing against the provision of a real estate property as a collateral, and the credit extended may be used for real estate-related purposes or for any other purpose of the borrower, as stated above. For many years, this subsegment was controlled by banks. In recent years, there has been a growth in this field among non-bank entities that extend loans against real estate properties, especially to businessmen, entrepreneurs and investors.

2.6.4.6.2 Changes in the scope of operations and profitability of the subsegment

Gama started operating in this subsegment in 2017. This subsegment has driven growth in Gama's activity, and its scope increased year on year both in terms of amounts of credit extended and in terms of Gama's revenues from this subsegment.

The significant increase in interest rates in the Israeli economy since the second quarter of 2022 and through the date the publication of this report might have an adverse effect on the real estate activity in Israel, both on behalf of the developers and on behalf of the end customers; consequently, such increase may lead to a

decline in developers and companies' demand for financing for the purchase of real estate and/or its improvement. Furthermore, such interest rate hikes also affect the companies and businesses' demand for financing for the development and improvement of their businesses, in view of increased finance costs and non-viability of such improvements. If interest rates in Israel will continue to rise, this might have an adverse effect on the growth of this area of activity, both in terms of the number of transactions, and in terms of the interest spreads.

2.6.4.6.3 Development in the subsegment's market, or changes in its customers' characteristics

In connection with this matter, see the description of the effect of interest rate hikes on the area of activity, as described in Section 2.6.2.6.2 above.

2.6.4.6.4 Technological changes that may have a material effect on the subsegment

In the opinion of Gama, as of the report date there are no technological changes that are expected to have a material effect on this subsegment.

2.6.4.7 Other

This activity is conducted by Gama itself and by Gama financing. As part of this activity, Gama provides a range of credit solutions to businesses, such as: loans, factoring, financial guarantees and financing of equipment. These activities are executed both as a value proposition for Gama's customers and other customers, who are not among Gama's customers in the field of clearing (as an aggregator) and factoring of payment card vouchers in accordance with their business needs, and to meet demand on behalf of its customers as part of Gama's strategy to serve as one-stop-shop that meets all the financial needs of its customers.

It should be noted that in the loans and credit to businesses subsegment, Gama also advances state-backed loans under agreements it signed with the Accountant General in the Ministry of Finance, acting on behalf of the state (hereinafter - the "Accountant General"). In November 2022, the Accountant General approved Gama's joining as a service provider to a new loan fund provided by the state, for the provision of a state-backed personal loans to small and medium businesses, as part of the expansion of the offering of the financing entities. Gama is expected to advance loans as part of this fund from 2023 through December 31, 2025.

Financial guarantees - Gama commenced its activity in this area in the last quarter of 2021, and worked to introduce this service to the market and to achieve recognition as a financially robust entity that provides financial guarantees.

In November 2022, the Accountant General in the Ministry of Finance has given Gama permission to issue guarantees for tenders of the government, government support units and government companies, alongside banks, credit card companies and a small number of non-bank entities.

2.6.4.7.1 The structure of the areas of activity and changes therein

The key players in this field are the banking system, credit card companies (as part of their business loan activity), funds, institutional entities, and non-bank financing entities. In recent years, non-bank entities entered into these areas of activity.

2.6.4.7.2 Changes in the scope of operations and profitability of the subsegments

In view of the market's opening to competition, the regulation of the non-bank market, and the marketing activities of the various actors, Gama estimates that the competition in these fields will continue to develop alongside a continued growth in non-bank activities. In 2022, Gama increased its financial guarantees portfolio, such that as of the report date the portfolio amounts to NIS 100 million.

Gama views the business loans and credit activity and the financial guarantees activity as its growth engine in the next few years. With regard to the equipment financing activity, Gama did not take steps to expand the portfolio in 2022, in view of the characteristics of the activity and its operational aspects.

Without detracting from what is stated above, the significant increase in interest rates in the Israeli economy since the second quarter of 2022 and through the date the publication of this report might have an adverse effect on companies and businesses' demand for financing for their businesses in view of the increase in finance costs, and consequently on Gama's activity in this field.

2.6.4.7.3 Development in the segments' market, or changes in its customers' characteristics

In recent years competition in these subsegments intensified. One of the key factors that impacted the expansion of the non-bank credit market in general and the area of check discounting in particular is the enactment of the Financial Services Law in 2016; this law was enacted in order to significantly regulate all non-bank financial services, and thereby facilitate the expansion of the market and the ability of non-bank entities to compete with banks.

The field of loans and financial guarantees was also significantly influenced by the state's recognizing non-bank credit companies that meet the threshold criteria set by the state, as companies that may provide financial guarantees to tenders on

behalf of the state, and as companies that may give loans as part of the state-backed loans fund. This recognition may intensify the competition in the business credit market, and strengthens the position of those companies and their ability to compete with banks and/or insurance companies.

2.6.4.7.4 Technological changes that may have a material effect on the segments

In recent years, the areas of activity are impacted by the technological changes in the financial market, and an increasing number of services are provided online and via digital channels. Gama gives its customers the option to apply online for guarantees. In addition, in 2023, the issuance of guarantees to entities on behalf of the state shall be carried out digitally using interfaces that were approved by the state. Accordingly, Gama is making preparations for the digital issuance of guarantees.

2.6.5 Critical success factors in the area of activity and changes therein

The following success factors may be listed in connection with Gama's activity:

- Reputation - the reputation of Gama and its managers is of crucial importance due to the nature of Gama's activity. Gama is a long-standing market player; over the years, it forged a reputation as a reliable and professional company.
- Liquidity and availability of services - as a rule, services of the type provided by Gama require liquidity levels that will allow the conducting of a large number of transactions, the recruitment of new customers and the provision of services to customers with large-scope activities. Liquidity is also a crucial factor when it comes to the availability of the service and to Gama's ability to provide quick, simple and efficient solutions that meet its customers' needs.
- High-quality underwriting mechanisms and compliance capabilities - supported by a professional, long-serving and highly qualified team, Gama implements its underwriting and risk assessment policies. Gama conducts ongoing controls over and monitoring of credit and money laundering risks, relying for that purpose on its knowhow and capabilities in this area.
- Nationwide deployment of people on the ground - Gama has 25 customer portfolio managers across the country; many of them are highly experienced and long-serving; this team of portfolio managers provides personal and highly professional service with short response time and high degree of availability.
- Excellent customer services - high-quality and efficient customer services (both human and automated); the combination of top-class customer service representatives and an advanced automated system used both by customers and by Gama's representatives, enables Gama to provide high-quality services with a high degree of availability.

- Familiarity with the market and customization of solutions - Gama's extensive and in-depth familiarity with the market allows it to understand the unique needs of its sub-markets, thereby giving it the insight required to customize solutions that meet the unique needs of its different customers.

2.6.6 Major entry and exit barriers in areas of activity

The following entry and exit barriers apply to Gama's activity:

- Meeting regulatory thresholds - generally, the engagement in Gama's various areas of activity requires companies to comply with the provisions of the Financial Services Law and the regulations promulgated thereunder, including obtaining a financial services provider license, a permit to hold means of control in a financial services provider, and compliance with the relevant requirements of the Financial Services Law, including meeting the regulatory capital requirements applicable to financial services providers.
- Financing sources - Gama's various areas of activity require financial resources, including equity, the ability to raise funds from external sources and compliance with regulatory requirements.

2.6.7 Customers

2.6.7.1 Clearing aggregator and factoring of payment card vouchers

During the 12 months prior to December 31, 2022, more than 14,000 customers conducted transactions with Gama.

Gama provides these services to a large number of customers. Accordingly, in the opinion of Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity.

Gama's customers in this subsegment are Israeli retailers, chain stores and service providers operating in various sectors, such as household electrical and electronics, food, fashion and clothing, tourism, garages, air-conditioning, jewelry, medicine, homeware and gifts, coffee shops and restaurants and service providers. Gama's customers in this subsegment are mainly limited liability companies and licensed dealers.

2.6.7.2 Financing against post-dated checks (check factoring)

- a. As of December 31, 2022, approximately 700 active customers conducted transactions with Gama during the 12 months to December 31, 2022. As of December 31, 2022, the credit portfolio in this area of activity is composed of 6,864 withdrawers, who are - to the best of Gama's knowledge - are Israeli residents.
- b. In 2022, Gama conducted approx. 8,891 factoring transactions; the average value of a transaction with a customer in that period was approx. 336 thousand. In 2021,

Gama conducted approx. 6,750 factoring transactions; the average value of a transaction with a customer in that period was approx. 329 thousand.

- c. Gama's customers in this subsegment are Israeli businesses from various sectors, such as construction and infrastructures, commerce, industry, finance, services, wholesalers and retailers in various sectors, such as household electrical and electronics, department stores, food, furniture, fashion and clothing, computers, air-conditioning and jewelry. Gama's customers in this subsegment are mainly corporations and a relatively small portion of customers are licensed dealers.
- d. In the reporting year, 98.5% of the customers in this activity have already used Gama's services.

2.6.7.3 Financing provided against real estate assets

As of December 31, 2022, Gama's credit portfolio comprises 200 customers.

In 2022, Gama conducted approx. 93 financing transactions; the average value of a transaction with a customer in that period was approx. 4,873 thousand. In 2021, Gama conducted approx. 109 financing transactions; the average value of a transaction with a customer in that period was approx. 4,451 thousand.

As of the report date, the amounts of credit advanced do not exceed tens of millions of shekels per transaction.

2.6.7.4 Other

In 2022, Gama had approx. 2,000 active customers in one or more of the products included in these areas of activity. Most of Gama's customers in this subsegment are Israeli businesses. Gama has no single customer that accounts for 10% or more of its revenues as per its consolidated financial statements.

2.6.8 Competition

2.6.8.1 Clearing aggregator and factoring of payment card vouchers

Gama's key competitors in the field of factoring of payment card vouchers are the clearing companies that bring forward payments to merchants or conduct factoring of payment card vouchers, both directly and through subsidiaries (Isracard and its subsidiary "Tzameret Mimunim", Max and its subsidiary "Max It Discounting Ltd.", CAL and its subsidiary "Iatzil Finance").

In the aggregators market Gama triggered competition. Gama believes that despite the fact that clearing aggregators do not publish the scope of their activities, and despite the fact that Gama does not know their exact number, it has the largest market share in the Israeli clearing aggregators market. However, as of the report date, Gama's market share

in the clearing aggregator market, which has been growing at a very fast rate since the commencement of the activity, is still lower than the scope of the clearing activity of any of the established clearing companies.

In order to beat its competitors, Gama operates on a number of levels - price, reputation and quality of service, while leveraging its in-depth familiarity with the business and retail markets. Gama also leverages its knowhow, reputation, long-serving and experienced staff, high-quality service and professional experience with regard to the advanced IT systems it puts at the disposal of its customers in its capacity as an entity factoring payment cards vouchers for thousands of Israeli businesses - in favor of promoting its clearing aggregator activity. However, the significant increase in interest rates in Israel, its effect on the general activity, and the aggressiveness of the competitors might have a negative effect on Gama's continued extensive growth in this field.

The turnover of transactions cleared through Gama as a clearing aggregator in 2022 amounted to NIS 14.6 billion (compared with NIS 12 billion in 2021 and NIS 8.7 billion in 2020). This increase reflects a continued and consistent increase in the number of businesses conducting their clearing activities via Gama, as well as the increase in business activity in Israel.

2.6.8.2 Financing against post-dated checks (check factoring)

Gama is of the opinion the market share of non-bank players is on the increase due to the regulation of the market by the legislature. Competition in the market - in accordance with the risk levels of each player - revolves around a number of key parameters: reputation, quality of services and interest rates.

Gama is unable to quantify its market share in the field of financing against post-dated checks, since it does not have access to the data of other players in this field.

Gama believes that its advantages in this subsegment stem from its many years of experience in the field of credit, its relationships with thousands of businesses, including credit card clearing entities, its high and strict professional standards in the field of compliance and mitigation of money laundering risks, and its exacting corporate governance practices. These parameters are also reflected in the Aa3 rating with a stable outlook that was assigned to Gama by Midroog, and reaffirmed over many years by the credit rating agency. Gama's financial robustness and strict compliance with underwriting procedures allow it to raise financing at low interest rates and leverage that financing in the form of competitive credit to its customers.

2.6.8.3 Financing provided against real estate assets

Gama's key competitors in this field are mainly banks, institutional entities, credit funds and various non-bank financing companies.

Gama is unable to quantify its market share in this field, since it does not have access to its competitors' data or to the data of other players in this field; however, it believes that its market share is very small.

Gama believes that its advantages in this subsegment stem from its reputation as a solid and stable company, that has been serving thousands of Israeli businesses for many years, and has a large-scope credit portfolio.

2.6.8.4 Others

To the best of Gama's knowledge, its key competitors in these areas are banks, institutional entities, credit card companies, credit funds and non-bank entities. Most of the credit advanced to small and medium businesses is controlled by the banking system.

Gama is unable to quantify its market share in these fields, since it does not have access to its competitors' data or to the data of other players in these fields; however, it believes that its market share is small.

When dealing with the competitive environment, Gama ensures to emphasize its relative advantages, the excellent reputation it has had with the business sector for many years, its financial strength that enables it to raise financing at low interest rates, its expertise in provision of credit to businesses, and its knowledge of the market, which allow it to provide tailor-made financing solutions, excellent and swift service at excellent prices.

2.6.9 Seasonality

2.6.9.1 Clearing aggregator and factoring of payment card vouchers

This subsegment is related to the activity of the Israeli retail market, and as such it is impacted from changes in trade volumes; thus, for example, sales increase before the Jewish festivals (Rosh Ha'Shana, Tabernacles and Passover) and as a result the volume of Gama's activities in this subsegment increases accordingly.

2.6.9.2 Financing against post-dated checks (check factoring), financing provided against real estate assets and other

These subsegments are not impacted by seasonality; therefore, seasonality is not expected to have a material effect on Gama's activities in these subsegments.

2.6.10 Specific regulation

Gama is subject to the following regulatory requirements and restrictions by virtue of the regulations relevant to all its areas of activity:

Financial Services Supervision Law (Regulated Financial Services), 2016

The Financial Services Law stipulates, among other things, that entities engaged in the provision of financial services are required to have the relevant license; the said law also imposes restrictions and sets provisions applicable to those entities in connection with the management of their business activity in the field of provision of financial services.

The Commissioner of the Capital Market, Insurance, and Savings is charged with the application of the provisions of the Financial Services Law. In its capacity as the official charged with the application of the provisions of the said law, the Commissioner has extensive regulatory, enforcement, and administrative review powers, including the power to impose monetary sanctions. Providers of financial services are required to comply with the Commissioner's directives and guidance as published from time to time.

As of the report date both Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets.

The Prohibition of Money Laundering Law, 2000

The purpose of the Prohibition of Money Laundering Law is to prevent money laundering in Israel through, inter alia, institutional entities and financial services providers. The provisions of the said law include three key requirements applicable to Gama which engages in the provision of credit against post-dated checks:

The Prohibition of Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2018 (hereinafter in this section - the "Order") came into effect in 2018. The Order requires all credit providers (including Gama) to identify the customer and verify his details, implement a "know your customer" procedure, report certain actions to the Israel Money Laundering and Terror Financing Prohibition Authority in accordance with the Order, have in place controls regarding the activity of the service recipient, ensure that customers are not included in the list of terror organizations and terror activists, and meet documentation and document retaining requirements. The Prohibition of Money Laundering (Credit Providers' Requirements regarding Identification, Reporting and Record-Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 2020 was issued in 2021; this order amends the 2018 Order and imposes, inter alia, similar requirements on provision of services in financial assets.

Bills of Exchange Ordinance [New Version]

A deferred receivable is a bill that has the characteristics set in the Bills of Exchange Ordinance. The Bills of Exchange Ordinance regulates the endorsement of the receivable (the check) by one person to another, such that the rights attached to the receivable (the check) are transferred to the endorsee; the Bills of Exchange Ordinance also regulates the rights of a "holder in due course" of a bill.

Law for Reducing the Use of Cash, 2018

In accordance with the recommendations of the Locker Committee, the Law for Reducing the Use of Cash outlines a policy for reducing and limiting the use of cash as a means of payment in the Israeli economy, with the main objectives being taking action against "black capital", economic crimes and money laundering, and expanding the tools available to the government in its efforts to achieve those objectives.

Furthermore, the Law for Reducing the Use of Cash sets restrictions on endorsement of checks whose amount is higher than NIS 10,000; however, the said restrictions do not apply to endorsement in favor of a regulated financial entity; nevertheless, restrictions have been placed as to the number of endorsements and the identity of the endorers. The Ministry of Finance may prescribe that such an endorsement shall only be allowed with respect to services he specifies. As of the report date, no such restrictions were placed.

The Fair Credit Law, 1993

The Fair Credit Law applies to loans extended by lenders to individuals or licensed dealers (that is to say - it does not apply to loans extended to corporations other than those types of corporations specified by the Minister of Justice).

The objective of the Fair Credit Law is to protect consumers in the credit market and increase the competition in this field by setting the maximum cost of a loan, which is not linked to the consumer price index, and by prescribing that the actual cost of the loan, as defined in the Fair Credit Law, shall not exceed the said maximum cost.

It is also prescribed that the maximum rate of arrears interest imposed on such loans shall not exceed 1.2 times the interest payable on the loans.

Furthermore, the Fair Credit Law prescribes disclosure requirements applicable to lenders in respect of each credit transaction; the aim of this provision is to protect borrowers.

The Credit Data Law, 2016

The Credit Data Law aims to reduce any asymmetry in connection with financial information, increase the competition in the retail credit market as well as the accessibility of credit, reduce the discrimination in the process of granting credit as well as the economic gaps, and create a database of non-identifying information to be used by the Bank of Israel in carrying out its functions.

Gama operates as an Information Source as per the Credit Data Law; as such, it transfers information to the database run by the Bank of Israel, and on the other hand it is entitled to receive information from the said database, all in accordance with the provisions of the Credit Data Law and the provisions applicable to Gama thereunder.

The Payment Services Law, 2019

The law, which came into force in October 2020, cancels the Payment Cards Law, 1986, and regulates, among other things, various aspects of the relationships between the provider of payment services and a payer, and between the provider of payment services and a beneficiary (the merchant), when means of payment are used; this law includes provisions whereby the provider of payment services shall transfer funds to the merchant immediately or within a reasonable period of time agreed upon with the merchant; the law also prescribes general provisions regarding the execution of payment instructions and liability arrangements pertaining thereto. As of the report date Gama is unable to assess the expected impact that the changes arising from the Payment Services Law will have on its activity.

The Protection of Privacy Law, 1982

The Protection of Privacy Regulations require each company to assess its databases and determine the level of security required. Gama has lawfully registered databases. Gama operates in accordance with the regulations in order to ensure that the appropriate security level is maintained and that the information it holds is protected in accordance with the provisions of the law.

The Insolvency and Economic Rehabilitation Law, 2018

The provisions of the Insolvency and Economic Rehabilitation Law focus on rehabilitation of corporations and debtors. The provisions of the Insolvency Law work for the benefit of debtors, but do not allow them to evade paying debts; therefore, Gama believes that the law's impact on its activities shall not be material or different than its impact on other financial entities.

Banking Law (Licensing), 1981

Section 21 to the Banking Law (Licensing) Law allows non-bank corporations to extend credit originating, inter alia, from the issuance of bonds (as defined in Section 35a to the Securities Law), the issuance of which requires the publication of a prospectus in accordance with Section 15 to the Securities Law, subject to compliance with certain conditions. The said section sets, among other

things, a cap on the maximum amount that can be raised by way of issuing bonds; it also stipulates that the loan extended does not constitute a residential loan whose repayment is secured by a mortgage, an undertaking to register a mortgage or the mortgaging of rights in land.

Restrictions under the clearing aggregator agreement

In accordance with the provisions of the clearing aggregator agreement, Gama undertook not to conduct cross-border clearing activities, that is to say, not to conduct clearing transactions for foreign merchants, as this term is defined in the clearing aggregator agreement.

The PCI DSS V3.2.1 standard

Gama is PCI compliant. The purpose of the PCI standard is to secure the sensitive data handled by organizations operating in the payment card industry (data that allow the execution of transactions). The standard defines the security level required from entities handling payment cards numbers, with the level of security being in line with the amount of data. Gama is classified to the highest security level.

The standard defines how data are to be saved and the requirements an entity needs to comply with in order to expose them. The standard requires entities to pass a strict annual assessment by a Qualified Security Assessor, at the end of which organizations receive an annual certificate saying that they are PCI compliant.

2.6.11 Financing

Gama funds its activity using own sources, funds received from banks and institutional entities (mainly through loans, capital raising and by way of issuing bonds to institutional entities and commercial securities).

Details about the effective interest rate and the average interest on loans received from banks and non-bank entities, divided into short-term and long-term loans:

		Effective interest rate (In the range)		Average interest rate (In the range)	
		For 2022	For 2021	For 2022	For 2021
BANK CREDIT SOURCES	SHORT-TERM LOANS	-	2%-1%	-	2%-1%
INSTITUTIONAL ENTITIES	SHORT-TERM LOANS	4%-2%	-	4%-2%	-
	LONG-TERM LOANS	4%-2%	3%-2%	3%-2%	3%-2%
BONDS (SERIES B)		3.21%	-	3%	-
BONDS (SERIES C)		3.22%	-	3.07%	-
BONDS (SERIES A)		-	1.68%	-	1.45%

Loans taken by Gama from institutional entities (in NIS thousand), interest rates payable thereon and their term:

Collateral (+)	Annual interest (In the range)	Loan period Years	Balance as of Dec. 31, 2021 (estimated value)	Balance as of Dec. 31, 2022 (estimated value)	The loan amount - in NIS million	Purpose of the loan	Date of loan provision
PLEDGING OF RECEIVABLES	BETWEEN PRIME AND PRIME + 1%	4.5	250	250	250	RECEIVABLES FINANCING	8/2020
PLEDGING OF RECEIVABLES	BETWEEN PRIME AND PRIME + 1%	1.0	89	80	100	FINANCING A REAL ESTATE PORTFOLIO	7/2020
PLEDGING OF RECEIVABLES	BETWEEN PRIME AND PRIME + 1%	1.0	49	44	50	FINANCING A REAL ESTATE PORTFOLIO	8/2021
PLEDGING OF RECEIVABLES +	BETWEEN PRIME AND PRIME + 1%	3.0	200	200	200	FINANCING A REAL ESTATE PORTFOLIO	9/2021

The amount of pledged receivables provided as collateral to the credit providers exceeds the balance of Gama's debt to those credit providers. In the event that the collateral are realized, the institutional entities that provided the loan can use them to repay the debt owed to them, and the remaining balance of pledged receivables shall be used to repay Gama's debts to its unsecured creditors.

Credit facilities

By virtue of a credit facility's instrument of approval of January 3, 2023, Gama has in place a NIS 200 million credit facility from a bank; the facility will expire on December 31, 2023. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Gama's accounts with that bank, with those receivables being pledged in favor of the said bank. As of the report date, this facility has not been utilized.

On January 3, 2023, Gama's Board of Directors approved the receipt of a fixed credit facility from another bank; the amount of the credit facility is NIS 100 million, and it is due to expire on April 30, 2023. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Gama's accounts with that bank, with those receivables being pledged in favor of the said bank. As of the report date, this facility has not been utilized.

Furthermore, The Phoenix Investments extended a NIS 50 million shareholder loan to Gama. The loan's principal shall be repaid in 6 equal annual installments, with the first payment due in October 2022. Repayments on account of the loan's principal shall be made provided that there is no impediment to make repayments on account of the loan's principal in accordance with the terms of the subordination letters.

2.6.12 Material agreements

Clearing aggregator agreement

In July 2017 Gama and CAL signed an agreement whereby Gama shall act as a clearing aggregator. The parties also signed addendi to the agreement. In view of the provisions of Section 7b to the Banking (Service to Customers) Law, a clearing entity is prohibited from terminating its agreement with the aggregator on unreasonable grounds.

By virtue of the agreement, Gama shall provide clearing aggregator services to merchants through CAL, which delivers to Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Gama's clearing aggregator services during that month. Gama credits the merchants in accordance with the agreements between the merchants and Gama.

The agreement sets out instances in which CAL will be allowed to terminate the agreement with immediate effect, including if the regulations or tariffs of the international payment cards organizations will be modified in a way that will impact the execution of the agreement; if the agreement between CAL and the other payment cards companies shall be changed in a manner which makes it impossible or difficult to execute the agreement; if an instruction or a decision to do so is issued by the Israel Competition Authority; if an issuer refuses to pay CAL the vouchers' proceeds, and if the interchange fee increases.

CAL is required to approve each of Gama's engagements with merchants, provided that its decision is reasonable and lawful.

Furthermore, in November 2022, Gama entered into a clearing aggregator agreement with Premium Express Ltd., as subsidiary of Isracard in connection with the American Express brand.

Agreement with Matrix I.T.E.R.P Solutions Ltd.

For information about the agreement, see Section 2.6.16 below.

Engagements with payment card companies for the provision of payment card vouchers factoring services

In November 1999 Gama and Isracard entered into an agreement whereby Gama shall provide payment card vouchers factoring services to merchants who use Isracard's clearing services; under the said agreement, Isracard has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Each of the parties may terminate the agreement by giving a 30-day advance notice.

In November 2004 Gama and Max signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use Max's clearing services; under the said agreement, Max has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the

merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

In March 2011 Gama and CAL signed an agreement whereby Gama may provide payment card vouchers factoring services to merchants who use CAL's clearing services; under the said agreement, CAL has undertaken to pay Gama the vouchers' proceeds that will be assigned to Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

It should be noted that in August 2011, subsequent to the signing of the said agreements, Section 7a to the Banking (Service to Customers) Law was enacted whereby an entity providing clearing services shall only be allowed to refuse entering into engagement with entity providing debit card vouchers factoring services for reasonable reasons and as provided by law.

Agreements for assignment by way of sale of payment card transaction vouchers to banks

In 2015-2016 Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Bank Mizrahi Tefahot Ltd., for the execution of assignment transactions by way of sale of Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Gama by merchants.

As part of the agreements with the banks, it was agreed that Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain clearing services entity, in connection with management and factoring agreements signed between Gama and the merchants, whereby the merchants assigned to Gama their rights to receive funds from the clearing services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Gama gave the clearing entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Each of the agreements with the banks may be terminated by each of the parties, at any given time and for any reason, by giving a 30-day advance notice.

Subject to the agreements for the sale of the payment card transaction vouchers, Gama entered into agreements with each of the said banks for the purpose of regulating Gama's activities with the relevant bank.

2.6.13 Marketing and distribution

Gama's marketing, distribution and support activities are conducted through a number of channels: Gama has a team of highly-experienced portfolio managers, who are deployed nationwide. In addition, Gama has a telemarketing call center providing services through inbound and outbound calls.

Furthermore, Gama has a website, which provides its customers with useful financial information on a daily basis about the merchant's transactions, their reception after transmission and the payment thereof. Furthermore, Gama has in place business collaborations with professional organizations that represent many businesses and refer members to use Gama's services. Gama also conducts targeted media campaigns for the business sector. During the reporting year, Gama increased its marketing and advertising expenses, including, among other things, in order to launch its business financial guarantees product, which is a relatively new product, and in order to expand its business credit activity, and financing against real estate activity..

Furthermore, in February 2023, Gama's Board of Directors decided to change its branding, such that it reflects the fact that it is part of the Company's finance group, and consequently also reflect Gama's financial robustness and strength as a result of being part of that group. The change in branding reflects a further step in the implementation of Gama's business strategy as the leading business credit solutions entity; this change enhances Gama's ability to compete in this market.

2.6.14 Intangible assets

Gama has set out an in-house computing function charged with the running of Gama's computer systems which are based on Matrix's systems. Every year, Gama invests many resources in upgrading and maintaining its computer systems and infrastructures, and in adapting them to the company's needs.

Gama maintains a remote disaster recovery site and practices the use of that site that will be used as its main site in case of an emergency (the shutdown of the main site).

Gama has six verbal trademarks, which are registered as trademarks.

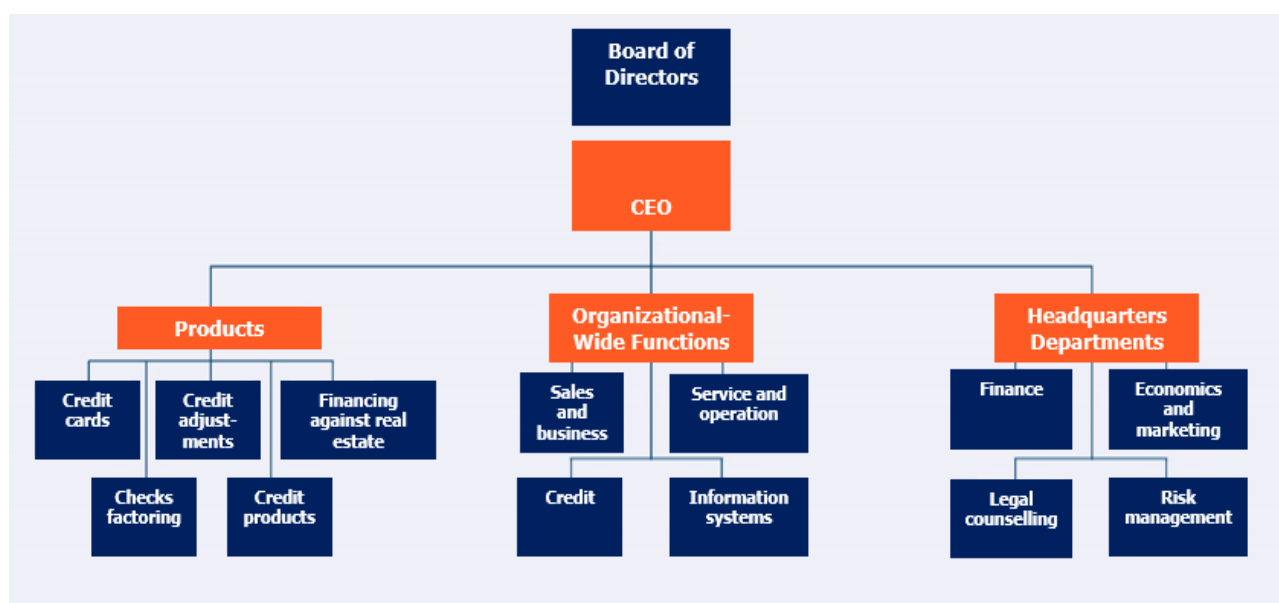
2.6.15 Human capital

As of the report date, Gama's workforce comprises approximately 163 employees and managers (including service providers and outsourced IT employees) working full or part-time. Work relations in Gama are positive and constructive.

On November 30, 2022, Gama's Board of Directors decided to implement a restructuring that is designed to support its transition from product-based management to customer-based management. This change constitutes an implementation of Gama's strategy for growth in the credit segment and an increase in the synergy between all financial products Gama offers its customers, while maximizing the potential of its customer base in its different products. Accordingly, as part of this change, the sales units of Gama's products were consolidated into a single sales and distribution function; most of the operations and service functions of Gama's different products were consolidated into a single operations and service function. Furthermore, in 2022, Gama added a legal counseling function to the company.

It should be noted that further to the implementation of the above-mentioned strategy in Gama, the company added an organization-wide credit manager, who is in charge of all of the products; the said officer serves as a VP and member of management. Gama also appointed its Credit Risk Officer to the office of Chief Risk Officer; the said officer will commence his work in the near future and will set up a risk management unit in Gama.

Description of Gama's organizational structure



Benefits and the nature of Gama employees' employment agreements

Gama's employees are employed through personal agreements. Employees' terms of employment include, among other things, wages, provisions for pension fund, managers insurance policies and advanced education fund. The employees are also entitled to paid sick leave, paid annual leave and recreation pay as is generally accepted in Gama and based on the number of years they have been employed by Gama. From time to time Gama awards bonuses to its employees subject to the discretion of its management and its financial results.

In June 2022, Gama published an amended outline for its employees, under which it allotted 3,475,124 options to Gama's employees; in addition, under the said outline, Gama may allot further options from time to time, up to a maximum number of 3,904,598 options. On August 15, 2022, 83,056 options out of the said pool were allotted.

The entire amount of Gama's current liabilities for employee rights upon retirement is covered by contributions to executive insurance policies and pension funds. The remaining balance of Gama's liabilities for employee rights upon retirement beyond the amounts contributed to managers insurance policies and pension funds are provided for as a liability in the financial statements.

2.6.16 Suppliers and service providers

As of the report date, Gama has an engagement with a material supplier - Matrix I.T. Solutions Ltd. (hereinafter - "**Matrix**").

In 1998 Matrix granted Gama a non-exclusive license to use a software it developed. Over the years software were developed that are used exclusively by Gama as part of its payment card factoring activities. The development is conducted, inter alia, through Matrix's software developers who work at Gama's offices.

In July 2005 Matrix signed a document titled "Continued Joint Work Relations" in which it clarified that the systems and code that were developed for Gama are exclusive to Gama and Gama has exclusive rights of use therein, such that those systems and code shall not constitute part of Matrix's systems, without first obtaining Gama's written consent.

2.6.17 Legal proceedings

As of the report date, Gama and its subsidiaries are not parties to material legal proceedings.

2.6.18 Objectives and strategy

Gama's strategy is assessed and impacted by, among other things, the changes taking place in its areas of activity and the continued increase in the number of competitors in each of those areas.

Gama aims to sustain continued growth in its areas of activity by marketing and promoting the credit and financing solutions it provides businesses through its range of platforms.

Gama works to strengthen and enhance its direct relationships with all its customers and recruiting new ones, while increasing its service offering and providing solutions to its customers' varied needs, and at the same time increasing the added value it generates to its customers. Gama's extensive range of services, its position in the field of credit card clearing aggregation and factoring, its many years of experience and its high professional standards constitute an excellent basis for continued growth in its existing areas of activity and for entering into new related fields. As of the report publication date, Gama is in the process of considering and formulating a strategy for promoting its various activities in the next few years.

Alongside the expansion of its activity, Gama aims to increase profitability while consistently aiming to adjust prices to risks in all of its products.

Since its IPO, Gama has been investing in improving its technological infrastructures, the risk management aspects of its activity, and specifically the credit risk, improving and streamlining the work processes, corporate governance, recruiting professional and experienced employees - all in order to achieve the strategic objective of sustainable and controlled growth.

2.6.19 Credit risk management

Generally, Gama is engaged in extending credit to licensed dealers and corporations through a range of products. As part of its activity, Gama is exposed to the risk that borrowers will fail to repay the credit or become insolvent. Gama works to reduce the said exposures based on its experience, while implementing an underwriting, control and risk-monitoring methodology it developed over the years. The provision of credit is assessed by a skilled and highly-experienced team and approved by the competent functions in accordance with the hierarchy of authority Gama has in place.

2.6.20 Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of Gama's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks that are specific to Gama. The risks are ranked according to the assessment as to their effect on Gama's business as a whole made by Gama's management. For further details, please see Note 40 to the Financial Statements.

Set forth below are the risk factors listed above, and Gama's assessment of their potential effect on Gama and its activity:

Risk factor	High	Moderate effect	Minor effect
Macroeconomic risks			
Deterioration in the Israeli economy	X		
Interest rate change		X	
Liquidity and funding sources	X		
CPI risk and foreign currency risk			X
Industry-specific risks			
Increased competition		X	
Technological changes		X	
Compliance risks		X	
Regulatory changes	X		
Legal risks		X	
Specific risks			
Credit Risk	X		
Fraud and embezzlement		X	
IT systems, information security and cyber risks	X		
Goodwill		X	
Liquidity risk		X	
Collection risk		X	
Key personnel dependency		X	
Operational risk		X	

It should be emphasized that there are other risk factors that are specific to each of Gama's areas of activity that are not detailed above but which could affect them.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

2.7 Insurance agencies

2.7.1 General information about the segment

General

The Company holds a number of insurance agencies through The Phoenix Agencies. The agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including The Phoenix Insurance, as well as products of investment houses and other institutional entities. The rate of premiums received through insurance agencies controlled by the Group out of total premiums in The Phoenix Group in 2021-2022:

Type of product	Premium rate in 2022	Premium rate in 2021
Life insurance	20.5%	21.5%
Pension and provident funds	29.8%	30.3%
Health - individual	13.6%	13.2%
Property and casualty insurance	9.8%	9.6%

It should also be noted that in 2021 the rate of fees and commissions received in respect of the various products through agencies controlled by the Group out of the total fees and commissions in the insurance agencies segment was 6%.¹⁸

Restructuring - The Phoenix Agencies

In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**"), a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 79.412% of the shares of The Phoenix Agencies, instead of the 100% it held prior to the transaction date, Hagoz (2015) Ltd. (hereinafter - "**Hagoz**"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "**Y.H.G Sasson**"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam Israel**"), which runs the agency's pension and provident activity.

As of the report publication date, the Company received the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance [New Version]. The completion of the merger is subject to the fulfillment of all conditions precedent, receipt of other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. As of the report date, not all of the said approvals have been received.

Furthermore, an agreement in principle was signed in connection with the merger, between the Company, The Phoenix Agencies, and the other shareholders in The Phoenix Agencies subsequent to the merger (Hagoz and Y.H.G Sasson), Mr. Yitzhak Oz and Mr. Moshe. Among other things, the agreement regulates the following matters:

1. **Active Chairman:** Mr. Yitzhak Oz will be appointed Active Chairman of The Phoenix Agencies, Agam Israel and Shekel Insurance Agency (2008) Ltd., and an agreement for the provision of management services to The Phoenix Agencies and other companies in The Phoenix Agencies group will be signed with him, under compensation terms in line with the existing management agreement with Agam Israel.
2. **Options agreement:** The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares

¹⁸ The information was taken from the Capital Markets Authority's Insurance Agencies Report for 2021.

of Agam Holdings (see report on this issue of December 31, 2019, Ref. No. 126565-01-2019), will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of any of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal.

The period during which the put option may be exercised is January 1, 2027 through January 3, 2028.

The period during which the call option may be exercised is January 4, 2028 through January 4, 2029.

The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above.

Other matters that will be regulated by the new Options Agreement are: (1) The value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (earnings before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various revenues and expenses agreed between the parties; (2) in the event of the issuance of The Phoenix Agencies' shares to the public, the call and put options will be canceled (Hagoz will be allowed to exercise part or all of the put option before such issuance).

3. **Other provisions:** The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix Group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

It should be noted that the above reflects principles that were approved; however, a full agreement has not yet been signed by the parties.

The information presented above regarding the restructuring of the Company's holdings in The Phoenix group's insurance agencies includes forward-looking information, as defined in the Securities Law, 1968, and is based on The Phoenix Agencies and Agam Holdings' statements of intentions.

The completion of the restructuring, including the merger described above, are subject to regulatory approvals and receipt of a merger certificate from the Registrar of Companies.

Therefore, the completion of the restructuring is uncertain and the above information might not materialize, as a result of factors outside The Phoenix Agencies and Agam Holdings' control, including the option that the conditions set out in the report of December 29, 2022 (Ref. No.: 2022-01-124026) will not be fulfilled.

Set forth below are data regarding the agencies and the material activities held by The Phoenix Agencies (hereinafter - the "**Material Agencies**"):

Shekel Insurance Agency (2008) Ltd. (hereinafter - "**Shekel**"), an agency wholly owned by The Phoenix Agencies. Shekel is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products; Shekel cooperates with all insurance companies and investment houses in Israel which are engaged in its areas of activity. Shekel operates through dedicated departments and through agencies and ventures it owns with other partners. Among Shekel's professional departments and areas of activity are the fields of pension and provident funds, finance, health insurance, retirement services for retiring employees and a center providing advice and personal response to queries from senior management of various employers. Furthermore, Shekel provides personal services in connection with all property and casualty insurance subsegments, such as motor, home, marine, travel insurance and more.

Shekel provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Services to employers include comprehensive operational pension services; as part of these services, Shekel provides collection and clearing services in relation to contributions towards pension and automated statements, including a control and feedback system between the financial institution and the employer.

Shekel employs 434 employees. Shekel renders services to 5,200 employers, has 220,000 active customers and owns more than 18 niche ventures, partnerships, subsidiaries and initiatives.

In the reporting period, the agency purchased a minority interest in an insurance portfolio at the total amount of NIS 12 million.

The Employee Benefit Experts - Benefit Ltd. (hereinafter - "Benefit") - Benefit specializes in the provision of advisory services to organizations (including provision of actuarial opinions), assessing and improving employees' rights, benefits and compensation, and supporting retirement schemes in various organizations. Benefit also specializes in setting up advisory systems in the said areas. In addition, Benefit holds 100% of the rights in Benefit Life Insurance Agency (1995) Ltd., which is engaged in marketing pension products. As part of the implementation of the Group's strategy, and in order to increase the synergy in the Group, The Phoenix Agencies transferred to Shekel all of its holdings in Benefit in consideration for allocation of additional Shekel shares.

Agam Leaderim Insurance Agency (2003) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 70% of the equity and voting rights therein (directly and indirectly). As of the report date, the remaining holdings in Agam (30%) are held indirectly by Mr. Yitzhak Oz (hereinafter - "**Oz**"), who holds 34% of the shares of Agam Leaderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**"), and by Mr. Moshe Sasson (6%). The remaining shares of Agam Holdings are held by The Phoenix Agencies. As to change to the ownership structure - which was signed but not yet completed - see Section 2.7.1 above.

Agam is an arrangement management agency, mainly in the field of life insurance, long-term savings, financial and health insurance products. Agam operates through dedicated departments and through agencies and ventures it owns together with other partners. Among Agam's professional departments and areas of activity are the fields of pension and provident funds, finance, health and travel insurance, retirement services to retiring employees and a center providing advice and personal response to queries from senior managements of various employers.

Agam provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Agam provides comprehensive operational pension services to employers, including collection and clearing services in respect of contributions towards pension and automated reporting, as well as a controls and feedback system between the financial institution and the employer.

Agam employs 465 employees. Agam renders services to more than 200,000 active customers and owns more than 20 niche ventures, partnerships, subsidiaries and initiatives.

During the reporting period, Agam purchased one of the agencies it held and also a new agency; the total amount of the transactions was NIS 13 million.

Oren Mizrach Insurance Agency Ltd. (hereinafter - "**Oren Mizrach**"): a subsidiary agency of The Phoenix Agencies, which holds approximately 70% of the equity and voting rights therein (directly and indirectly). Mr. Oren Cohen serves as the agency's CEO and holds (indirectly) approximately 30% of the voting rights and capital in the agency. The agency operates in all insurance and finance subsegments, with an emphasis on the property and casualty subsegment. The agency also holds a number of other agencies.

In the field of individual motor and home insurance - the agency operates through a sister agency - Webprice Insurance Agency (2017) Ltd. - which developed a computer system that generates a digital acquisition process that offers customers the most cost-efficient home and motor insurance from among quotes by various insurance companies.

Oren Mizrach is growing, among other things, through mergers and acquisitions. During the reporting period, 13 further transactions were executed to increase control in agencies or existing portfolio or to acquire new portfolios and agencies at the total amount of approximately NIS 67 million.

Cohen Givon Insurance Agency (1994) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 52% of the equity and voting rights therein. The remaining shares are held directly and indirectly by Mr. Ran Givon, who serves as the agency's CEO. The agency specializes in providing property and casualty insurance to municipalities and local authorities.

Ramon-Granit Insurance Agency (1994) Ltd.

Subsequent to the report date, Ramon Granit' shares held by the Company were sold to Mr. Shuky Leshner.

T.A.I.S. Shades Life Insurance Agency (1987) Ltd.: a subsidiary agency of The Phoenix Agencies, which holds 50% of the equity and voting rights therein (directly and indirectly). The remaining shares are held indirectly by three partners, two of whom, Mr. Eli Lanir and Mr. Yoram Nitzan also serve as joint CEOs in the agency.

The agency is engaged in the fields of pension, health and individual risks insurance and cooperates with all institutional entities operating in these areas. Furthermore, the agency has diverse activity in most property and casualty insurance subsegments. An insurance portfolio was acquired in the reporting period for approximately NIS 7.3 million.

Quality Pension Insurance Agency (2017) Ltd.: An agency held, as of the report date, at a rate of 50.5% of the voting and equity rights by The Phoenix Advanced Investments Ltd. Mr. Itay Barda serves as the agency's CEO and holds (indirectly) approximately 49.5% of the voting and equity rights in the agency. The agency operates in the life and health insurance subsegments and in the long-term saving and finance subsegments, mainly through sub-agents. The agency also holds a number of other agencies. In the reporting period, the agency expanded its activity, by, among other things, engaging with partners in engagements for setting up companies providing supplementary services, and for the setting up and purchase of insurance agencies.

During the reporting period, 7 transactions were executed to purchase insurance portfolios and agencies or to set up new agencies at the total amount of approximately NIS 7 million.

Other agencies: in addition to the above-listed agencies, The Phoenix Agencies operates through other insurance agencies, held jointly with other shareholders (which, in most cases, run

the agencies). These agencies operate in the various areas of insurance, pension and provident funds. The agencies are engaged in brokerage activities in the fields of pension, property and casualty, life and other insurance.

2.7.2 Scope of activity

A. The area of activity's structure and changes therein

The Phoenix Agencies operates in the field of insurance agencies in Israel, which is an area of activity regulated by the Commissioner of the Capital Market, Insurance and Savings Authority. For the key applicable regulatory provisions, please see Section 2.7.7 below.

During the reporting period, there was an increase in revenues and profits in The Phoenix Agencies' areas of activity, including, among other things, as a result of its high technological capabilities, level of service and unique services provided by its key agencies.

In addition, the agencies have a comparative advantage stemming from their utilization of synergies arising from mergers and acquisitions and collaborations in their areas of activity, which, in the opinion of the Company, worked in their favor during the reporting year.

In that context, it should be mentioned that the Law Memorandum of **The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), 2023, Chapter __: "Increasing Competition and Preventing Distortions in the Insurance and Savings Brokering Segment"** might affect the expansion of the activity through mergers and acquisitions. For more information regarding this topic, see Section 2.7.7.2.11 below.

For further details about revenues, costs and profits attributed to this area of activity, please see Note 3 to the Financial Statements.

B. Critical success factors in the area of activity and Changes therein

The following success factors may be listed in connection with the activity of insurance agencies:

- High technological level as well as effective early adoption of new technologies.
- A range of diverse distribution channels.
- Retaining each agency's comparative advantage in its field, including the field of arrangement management.
- High-quality, fast, flexible and reliable customer service system.
- Significant financial capabilities.
- Flexibility and agreements with all Israeli insurance companies with the aim of providing optimal solutions to customers.

C. **Major entry and exit barriers in area of activity**

The following entry and exit barriers apply to the activity of insurance agencies:

- Compliance with regulatory and legal requirements (see Section 2.7.7 below).
- Having in place the technological and professional platforms to support the area of activity.
- Experience, reputation and professional knowhow, as well as skilled manpower.
- Substantial financial capabilities.
- Obtaining a license from the Commissioner in accordance with the Supervision Law.
- Obtaining a control permit from the Commissioner in accordance with the Supervision Law.

2.7.3 Products and services

- A. The agencies held by The Phoenix Agencies are engaged in brokerage and distribution activities in the fields of property and casualty, pension, life and other insurance. The agencies offer their agents insurance products of a range of insurance companies, including those of the Company. Furthermore, the Company's key agencies also offer technological solutions, as described in Section 2.6 above.
- B. In the opinion of The Phoenix Agencies, as of the report date no changes are expected to take place in the scope and range of The Phoenix Agencies' products and services. However, there is a trend whereby agencies enter, in accordance with the law, to the area of distribution of other products such as: alternative products, savings policies, and more.
- C. In the opinion of The Phoenix Agencies, as of the report date, the Company's market share in this area of activity is not expected to decrease.

2.7.4 Customers

Customers of the agencies activity comprise two primary groups:

- A. In the field of arrangement agencies, The Phoenix Agencies' customers are employees and employers who are customers of the agencies held by The Phoenix Agencies.
- B. In other agencies held by The Phoenix Agencies, customers are both business customers and individuals from all sectors of the economy.

As of the report date, The Phoenix Agencies is not dependent on a single customer, the loss of which will have a material impact on this area of activity.

2.7.5 Competition

The insurance agencies area of activity is intensely competitive. The main competitors of the arrangement agencies (Shekel and Agam) are the insurance agencies engaged in the field of pension in general and the other arrangement agencies in particular, the most significant of which are Mivtach Simon, Tmura and Davidoff.

The main methods used by The Phoenix Agencies to address the competition, and key factors that affect its competitive position include, among other things, a constant improvement of service levels, ongoing streamlining and adoption of new technologies allowing the provision of fast, professional and effective services to employees and employers.

2.7.6 Seasonality

The scope of activity of The Phoenix Agencies is not significantly affected by seasonality. Nevertheless, as a rule, the fourth quarter generates the highest profits in the fields of pension, provident funds and finance.

2.7.7 Specific regulation

The insurance agencies' area of activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Set forth below is a summary of the legal provisions applicable to the insurance agencies area of activity, as well as material bills and drafts published during the reporting period and through the report's publication date:

2.7.7.1 Legislative arrangements:

2.7.7.1.1 The Supervision Law regulates, among other things, the issues of insurance agencies' licensing, permits of control and holding of means of control, receipt of business and payment of brokerage fees and commissions for insurance brokerage services.

Pursuant to the provisions of the Supervision Law, it is forbidden to engage in insurance brokerage services and receive fees and commissions for such services without first obtaining a license from the Commissioner as required by law. The Supervision Law regulates, among other things, the receipt of an insurance agent license, including a corporate agent license, a control permit and a permit to hold means of control in a corporate agent. The Supervision Law also sets provisions regarding the safeguarding of policyholders' interests, such as the prohibition on providing a misleading description of an insurance transaction.

2.7.7.1.2 The Pension Advice Law regulates the granting of a license to provide pension advice and market pension products; the law includes provisions on providing operating services to employers, including restrictions applicable to insurance agents who render operating services to an employer for whose employees it provides pension advice. Furthermore, the law regulates the requirements, prohibitions and restrictions applicable to the marketing of pension products, including the insurance agent's duty to ensure that the pension product suits the customer's needs; under the law, the agent also has a duty of care and a fiduciary duty to its customers. The law also sets provisions on payment to agents, including prohibition on direct collection of a fee or commission from a customer in addition to a fee or commission paid by an institutional entity.

2.7.7.1.3 The Provident Funds Law provides for the right of an employee - for whom an employer makes contributions towards pension - to select the license holder to market the pension products or carry out transactions in his/her provident fund. Furthermore, an amendment to the law enacted in 2017 prohibits a management company from paying insurance agents any fees and commissions the calculation of which is tied to the rate of management fees collected by the management company from planholders.

2.7.7.1.4 The Insurance Contract Law and amendments thereto, regulate, among other things, the insurance agent's position in the relationship between an insurer, policyholder, and an insurance agent, and sets, among other things, presumptions as to the insurance agent's being an agent of the insurer.

2.7.7.2 Commissioner's circulars, positions and procedures:

2.7.7.2.1 The circular titled Services Rendered to Customers by Agents and Advisors stipulates provisions on rendering adequate services by a license holder and stipulates the rules and conditions for collecting fees and reimbursement of expenses paid directly by the customer.

In August 2022, **a circular on Services Rendered to Customers by Agents and Advisors - Amendment** - was published. Set forth below are the key changes included in the amendment: (1) Segregating service and marketing of unregulated products - license holders, who market to their customers products or services, which are not insurance and pension savings products that are regulated by the Capital Markets Authority, will be required to segregate the two areas and to achieve transparency and effect disclosure on that topic. If a license holder wishes to provide another service, he/she will clarify to the customer and receive his/her written consent to the effect that

he/she is aware of the fact that this service is provided in relation to products, which are not insurance or pension products managed by the institutional entities, and are not regulated by the Capital Markets Authority. (2) Purchase of an insurance or pension portfolio - when a license holder sells the insurance portfolio to another license holder (in any form, including as a result of merger of agencies), the new license holder is required to proactively contact the transferred customers and inform them of the change in the identity of the license holder. Furthermore, the license holder must inform the transferred customers that they may cancel the appointment or sign a new power of attorney. (3) Collection of payment from a customer - an insurance agent that charges the customer shall provide the customer with a written disclosure of the overall amount it charges and the various components in respect of which payment is collected, as well as the amount charged for each such component. (4) Disclosure to the customer regarding services that can be received independently - a license holder who provides paid services to a customer, where such services include receipt or transfer of information that is available on websites of the institutional entities or on websites of the Capital Markets Authority (such as: Har Bituach or a pension clearing house), and that may be received free of charge or at a negligible cost, shall disclose to the customer in advance that he/she may access such services on the said websites free of charge. (5) Purchase of contact details of potential customers (leads) - a license holder shall only purchase or receive the contact details of a potential customer (lead) if it verified that the customer agreed to have his/her details used for insurance marketing purposes, and that the customer has been given the option to refuse the use of his/her details. (6) Prohibition on advertising fund withdrawal or fund identifying services - a license holder engaged in retirement consulting or marketing shall not advertise a service of withdrawal of funds from a pension product or a service for identifying pension products. Further to the above, in November 2022, the circular on **Services Rendered to Customers by Agents and Advisors - Amendment** was published. The circular prescribes that the period during which the license holder should proactively contact a customer upon the purchase of an insurance portfolio shall be gradually extended. The periods during which the license holder should contact transferred customers as stated above, are extended from 30 business days to 60 or 90 business days, depending on the number of transferred customers. It was also decided that in the event that the transferred customers are customers insured under a collective insurance, the license holders to which those customers were transferred will not be required

to inform them of the option they have to cancel the appointment of the agent and the channels through which they may do so. The explanatory notes to the circular clarify that under the provisions of the power of attorney to a license holder circular, a license holder is to use the power of attorney to render retirement consulting or pension marketing services; and therefore, the provisions of the circular do not prescribe a new requirement as to the license holder's contacting customers to sign a power of attorney, since this is prescribed, as stated above, in the power of attorney circular. It was further clarified that the provisions of the circular do not deal with payments to a license holder; rather, they only prescribe the rules a license holder must abide by when customers are transferred to it.

2.7.7.2.2 The Signing-On to Insurance Plans circular sets provisions regulating conduct of insurance companies and insurance agents when signing on policyholders to an insurance plan. Among other things, the law requires that the insurance policy meet the insurance candidate's needs, including by checking the list of insurance products he/she has in place by submitting a query to the Har Habituach website.

In January 2022, an **amendment to the Signing-On to Insurance Plans** circular was published. Set forth below are the key amendments included in the circular, which are relevant to insurance agents: (1) a stipulation whereby senior citizens shall be signed-on to an insurance product by customer service representatives, who will be specifically trained for dealing with this population; senior citizens will also be advised to have someone on their behalf joining the conversation, in which they will be signed-on to an insurance product. It was further stipulated that the sale process will be conducted in stages in order to ensure that senior citizens will only be signed-on to the insurance product once they intend to be legally bound by the insurance contract; (2) the imposition of a requirement to conduct an enhanced adjustment of needs when canceling a policy and transferring a customer to another company in various property and casualty insurance subsegments as well; (3) stipulating that any signing-on conversation shall be subject to an audio recording at the very least; (4) a requirement whereby during the signing-on process a policyholder shall have the option to make an active selection with regard to various material issues (such as deductible, expansions, riders, etc.) and those aspects will not be decided based on a default option; (6) a stipulation whereby it will be impossible to cancel the transfer of information to the "Har Habituach" website as part of the signing-

on process; rather, such cancellation will only be possible by contacting the insurer directly and separately.

Further to the above, in June 2022, **The Signing-On to Insurance Plans** circular was published, which came into effect on August 31, 2022, the key provisions of which are: (1) With respect of the property and casualty insurance subsegments it was prescribed that a marketing entity will not assign an insurance candidate to a default insurance, unless when this option was presented other alternatives were also presented, and the insurance candidate was given the option to waive or change it; (2) prescribing a temporary order through the end of 2023, where under the provisions of the circular will not apply to the marketing of fixed-term health and property and casualty insurance products, which are purchased without proactive marketing; this provision was set with the aim of allowing the market to develop in the field of digitization.

In September 2022, a further amendment to **The Signing-On to Insurance Plans** circular was published, which prescribes that the two-phase signing-on process as part of proactive marketing to senior citizens will only apply when the signing-on process is carried out in circumstances other than a physical meeting with the insurance candidate.

2.7.7.2.3 The Explanation Document Circular - Amendment sets a uniform wording for the explanation document to be delivered to customers by an agent marketing pension products, among others, while providing pension advice or marketing pension products, as part of his/her duty under the Pension Advice Law to ensure that the pension product suits the customer's needs and to explain his/her recommendation in writing. Furthermore, the Circular sets guidance on a license holder's duty, in the process of ensuring that the pension product meets the customer's needs, and of providing fair disclosure as to the considerations guiding his/her recommendation.

2.7.7.2.4 The Power of Appointment to a License Holder Circular sets a uniform format for a power of appointment form, by which a customer may appoint a license holder to receive information about pension savings managed for him/her in an institutional entity, or take in his/her name actions as part of pension advice or marketing, including through the central pension clearing system (as defined in the Pension Advice Law).

2.7.7.2.5 The Institutional Entity's Engagement with an License Holder Circular regulates the engagement between insurance agents and institutional entities in view of the Supervision Law and the Pension Advice Law's provisions prohibiting agents from brokering between customers and

institutional entities, if the agent and the institutional entity do not have an agreement in place that includes the terms and conditions set in the said laws.

2.7.7.2.6 The Circular titled Involvement of an Entity which is not a License Holder in the Marketing and Sale of Insurance Products other than Group Insurance regulates engagements between regulated entities and external entities with regard to setting rules about an external entity's involvement in the marketing or sale of an individual insurance product, such that such activities shall not be in violation of the law.

2.7.7.2.7 The Insurance Circular titled Service Contracts and their Marketing stipulates, among other things, provisions on the marketing of service contracts through insurance agents.

2.7.7.2.8 The Clarification on Pension Marketing Procedure when Accepting Candidates to a Pension Plan stipulates that a transaction carried out for a customer with respect to a pension product, including the signing on of a customer to a pension plan, shall only be carried out after a pension marketing procedure has been followed as set out in the Pension Advice Law. The clarification further stipulates that an institutional entity may only pay a distribution fee if a pension insurance agent conducted such a transaction as part of a pension marketing procedure. The clarification applies to signing on new planholders to a pension plan as of February 4, 2018.

2.7.7.2.9 In January 2022, the circular **Rules regarding Appropriate Traineeship** was published. The circular set forth provisions and rules for the supervisor and the trainee; such provisions and rules shall constitute threshold requirements for appropriate traineeship as part of the legal requirements for receiving an insurance agent license, a pension advisor license or a pension marketing agent license. Accordingly, the following were stipulated, among other things: (1) Appropriate conditions for a traineeship, such as the duty to set a traineeship program, a minimum number of working days per week, and the place in which the trainee will be based; (2) mandatory contents that will serve as the professional basis for appropriate traineeship (knowledge of the provisions of the law, practical experience and more); (3) rules regarding cases of conflict of interest due to which an traineeship cannot be recognized as appropriate (subordination, familial relationships; (4) a requirement to define a "person in charge of traineeship" in a workplace with more than five trainees; (5) a requirement to report to the Commissioner in the instances listed in the circular; (6) requiring the trainer to document his/her activity as a trainer and the activity of the trainee.

2.7.7.2.10 In January 2022, the **Capital Market, Insurance and Savings Authority published Non-Enforcement Position - Pension Consulting by a Banking Corporation Outside the Banking Corporation's Branches for Existing Customers in the Field of Pension Consulting - Extension**. As part of the Commissioner's position, the term of the Commissioner's position on this issue which was published on December 2, 2020, and which had already been extended several times, was extended by three further months (through April 25, 2022). The Commissioner's position stipulates that the Capital Market, Insurance and Savings Authority will not take enforcement measures against banks that will provide pension consulting services digitally or via the phone to existing customers in the field of pension consulting immediately before the Commissioner's notice, despite the provisions of the Pension Advice Law which prohibits banking corporations from providing pension consulting services outside their permanent branches.

2.7.7.2.11 In January 2023, the Ministry of Finance published a booklet entitled **Structural Changes for the 2023 and 2024 Budgets**, which includes a series of proposed government resolutions that form part of the government's economic plan, which the Ministry of Finance intends to promote as part of the approval of the 2023-2024 state budget. In this framework, it is proposed, among other things, to allow contributions to executive insurance to be made only for amounts exceeding the maximum pension contribution. It is also proposed to establish a refunding mechanism for volume fees and commissions for cancellations.

2.7.7.2.12 In February 2023, the Law Memorandum of **The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024)**, 2023, Chapter __: **"Increasing Competition and Preventing Distortions in the Insurance and Savings Brokering Segment"** was published, which is expected to be part of the Economic Arrangements Law for 2023-2024. The said law memorandum includes suggestions to promote a number of steps, including, among other things: (1) to allow a "bank with a narrow scope of activity" (as defined in the suggestion), to broker property and casualty insurance products, by giving such a bank a permit to control an insurance agency whose only business is property and casualty insurance; (2) to prescribe a temporary order (through the end of 2024) to suspend the purchase of insurance agencies by institutional entities or entities in which the institutional entity has a stake of more than 20%, until such time when conclusions are reached by an inter-ministerial team that will assess this issue; (3) oblige

institutional entities, insurance agencies and pension advisors to disclose to the customer the fee amounts paid by the institutional entity for their insurance brokering services rendered in connection with the customer; (4) require the institutional entities to pay a flat fee for alternative products.

2.7.8 Material agreements

2.7.8.1 Agam Leaderim Holdings (2001) Ltd.

For information about the engagement with Agam Leaderim Holdings (2001) and its partners, see Section 2.7.1 above.

2.8.7.2 Oren Mizrach Insurance Agency Ltd.

In December 2020, an agreement was signed, pursuant to which The Phoenix Agencies acquired from Oren Agency shares of Oren Mizrach and Webprice constituting 1% of the issued share capital of each of the said companies; furthermore, The Phoenix Agencies acquired from Oren Holdings 38% of the ownership interests in Oren Agency and 70% of the controlling interests of Oren Agency, such that following the completion of the transaction, The Phoenix Agencies holds (directly and indirectly) 69.62% of the ownership interests in the Oren Mizrach Group. The transaction was completed based on company value of NIS 160 million for the Oren Mizrach Group, and was subject to the consideration adjustment mechanism set in the agreement; the mechanism was activated after the approval of Oren Mizrach Group's 2022 financial statements. For further details, please see the Company's immediate report dated December 6, 2020 (Ref. No. 2020-01-132153) and Note 7 to the Financial Statements.

2.7.9 Marketing and distribution

The marketing and distribution of the products of agencies held by the Company is carried out in accordance with the Commissioner's Directives, as described in Section 2.6.7. The arrangement agencies provide, as aforesaid, end-to-end services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and review of all existing pension plans and setting up a pension solution tailored to meet the employee's needs, including marketing of pension and financial products and health insurance. The arrangement agencies receive fees and commissions from insurance companies for the abovementioned marketing and brokerage services. Services to employers include end-to-end operational pension services, including collection and clearing services in relation to contributions towards pension and automated statements, including a controls and feedback system between the financial institution and employer. The arrangement agencies collect handling fees from

employers for these services. Marketing and distribution of the other products is carried out in the manner generally accepted in the industry, through licensed insurance agents.

2.7.10 Human capital

For further details about the number of employees engaged in this field, including any material changes in the workforce, please see Section 4.6 to the Report.

2.7.11 Suppliers and service providers

As part of its current activities, The Phoenix Agencies engages with a range of service providers. To the best of The Phoenix Agencies' knowledge, it is not dependent on a primary supplier.

2.7.12 Legal proceedings

The Phoenix Agencies is not a party to material legal proceedings, except for a petition to the Supreme Court, in its capacity as the High Court of Justice for the cancellation of a judgment that dismissed a motion to approve a lawsuit submitted against Agam and Shekel as a class action. For further details, please see Note 42(A) to the Financial Statements.

2.7.13 Investments

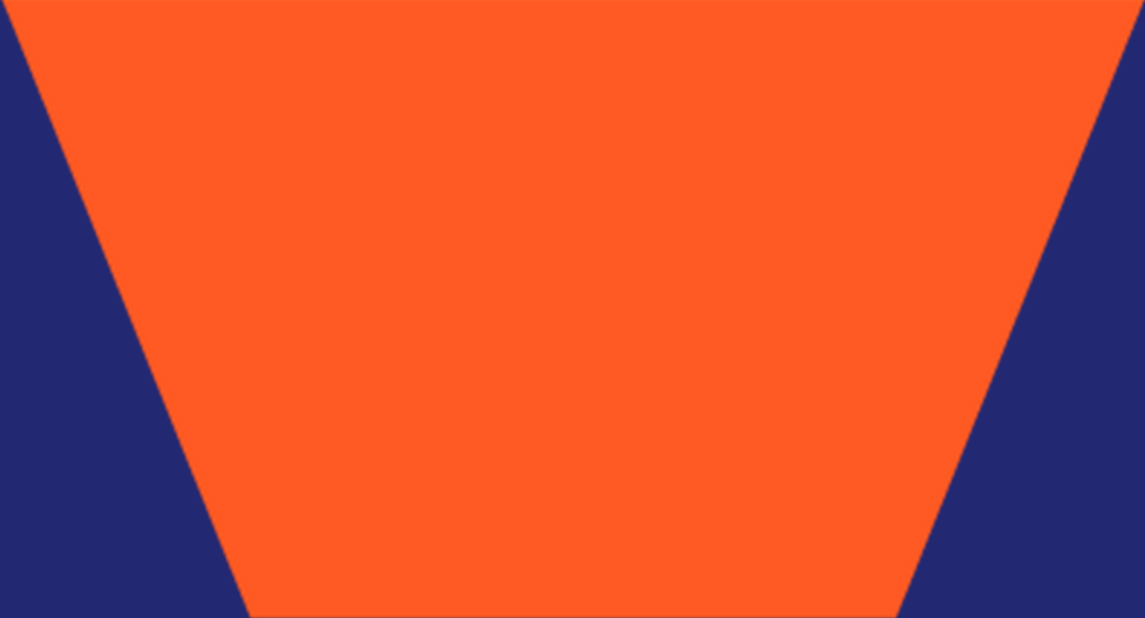
The Phoenix Agencies grants shareholders' loans to some of its investee agencies based on predetermined milestones, for the purpose of funding the acquisition of agencies and insurance portfolios.

2.7.14 Objectives and strategy

The Phoenix Agencies aspires to expand its activities in the area of the insurance agencies and to improve its profitability by increasing the scope of its operations either through mergers and acquisitions and collaborations with other entities or by improving its ongoing operations, through, among other things, increasing the efficiency of the agencies' procedures and adopting technological solutions. The steps stated above shall be carried out, among other things, under the restructuring that was described in Section 2.7.1 above.

The Group's agencies work with all other insurance companies engaged in their area of activity. The insurance agencies pillar constitutes an important and material growth driver for the entire Group.

The information presented above in this chapter includes forward-looking information, as defined in the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are not under the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

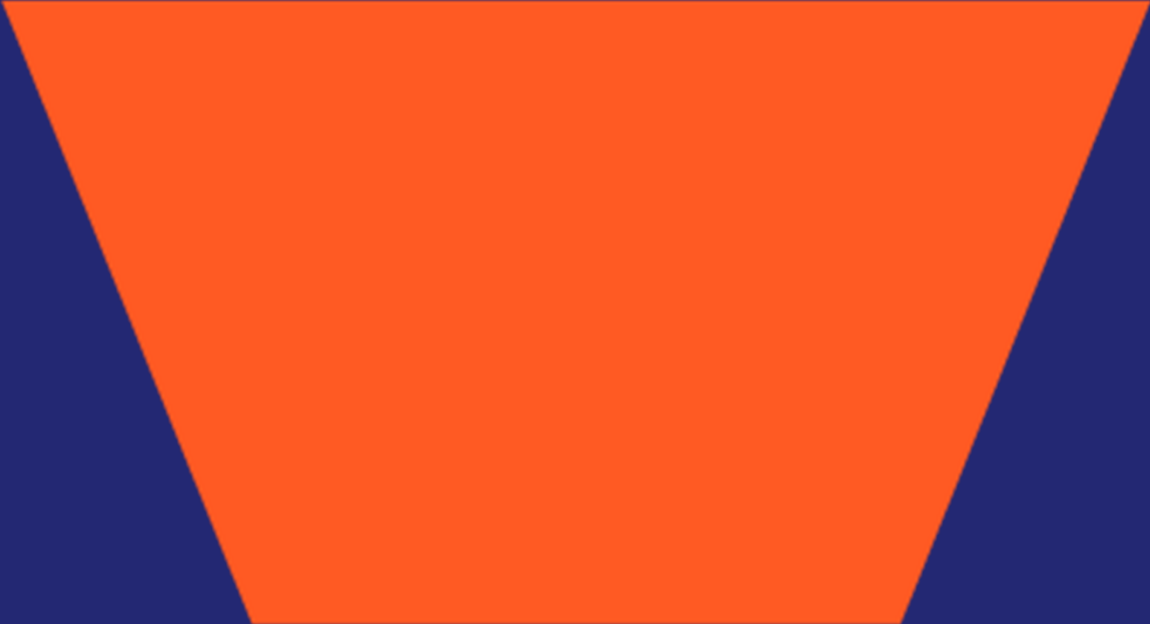


Part C

Additional Information about Insurance
Areas of Activity Not Included in the
Areas of Activity



N/A



Part D

Additional information at
The Company level



4.1 Restrictions and Regulation to which the Group's Activity is Subject

4.1.1 Regulation and supervision - general

As described in this chapter, the Group's activities in its areas of activity are subject to the general provisions of the law and the specific provisions of the law applicable to each of the Group's areas of activity.

Group companies are regulated by various regulators, including the Capital Market, Insurance and Savings Authority (hereinafter - the "**Authority**" or the "**Commissioner**"), which regulate the activity of the Group's institutional entities and insurance agencies. The Authority is an independent authority which reports to the Ministry of Finance, and its roles include: 1. Protecting and safeguarding the interests of policyholders, planholders and customers of the regulated entities. 2. Ensuring the stability and proper management of the regulated entities. 3. Promoting competition in the financial system in general, and in particular - in the fields of capital market, insurance and savings. 4. Encouraging technological and business innovation for the regulated entities, in view of the Authority's purviews as per Sections 1-3 above.

Furthermore, part of Group companies' activity, which is concentrated under an investment house, is regulated by the Israel Securities Authority. Furthermore, in its capacity as a publicly-traded company, the Group is also subject to the provisions of the securities laws and is regulated in that context by the Israel Securities Authority; in addition, the Group is subject to the provisions of the companies laws applicable to publicly traded companies. The Group's companies are subject, from time to time, to administrative enforcement procedures and fines. Set forth below is a summary of the legal provisions applicable to the Group as well as bills and drafts that have a material effect on the Group, published during the reporting period and through the report publication date. It should be noted that the provisions listed in this report do not constitute an exhaustive list of all legal provisions applicable to the Company, rather - they are only the key ones. Many other regulations and directives regulate the activities of the insurer and the management companies in the fields of insurance, pension funds and provident funds. The regulations and directives are updated on the Ministry of Finance's website at:

<https://mof.gov.il/hon/Regulations/Pages/RegulationAndLegislation.aspx>

It should be noted that prior to the publication date of the financial statements, the Government published **suggested resolutions regarding structural changes that will be brought forward as part of the discussions on the economic plan for 2023 and 2024, and a number of chapters out of the memorandum of The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), 2023**, which includes suggestions for changes in various areas of the Group's activities, such as: on insurance brokering, health insurance, long-term savings, motor insurance, and more. Each of the suggestions was integrated in the regulation segment relevant to the area of

activity it deals with, and at this stage it is not possible to assess whether all or part of the suggestions will become binding laws.

4.1.1.1 Legislative arrangements

4.1.1.1 The Insurance Contract Law, 1981 mainly regulates the relationship between an insurer and policyholders, including the status of the insurance agent.

4.1.1.2 Financial Services Supervision (Insurance) Law, 1981 and the regulations promulgated thereunder regulate, among other things, the Commissioner's purviews, licensing of insurers and insurance agents, holding of means of control in an insurer and in an agent which is a corporation, supervising of insurance businesses and the safeguarding policyholders' interests. The Supervision Law includes a list of provisions the breach of which constitutes a criminal offense; the law expands the scope of officers' responsibility to prevent the breaches. Furthermore, in accordance with the Supervision Law, the Commissioner has is authorized to impose monetary sanctions and civil fines of significant amounts without filing an indictment.

4.1.1.3 The Law for the Promotion of Competition and Reduction of Concentration, 2013 (hereinafter - the "Market Concentration Law" or the "Law"), which was published in December 2013, The Concentration Law was published in December 2013; the Law is composed of three key chapters: (1) restricting the control in "pyramid-shaped" companies to two tiers and imposing enhanced corporate governance rules on such companies; (2) separation between significant financial corporations (such as banks, insurance companies, investment funds, etc.) and significant non-financial entities as defined in the Reduction of Concentration Law, which prohibits a significant non-financial corporation from controlling and holding means of control in an insurer which is a significant financial entity; and (3) aggregate concentration considerations and sectoral competition considerations in the allocation of rights to use government resources (essential infrastructures and privatized assets) to concentrating entities.

A list of concentrated entities, a list of significant non-financial entities, and a list of the significant financial entities is published from time to time on the Ministry of Finance's website.

Several subsidiaries of the Company (such as The Phoenix Insurance Company Ltd. and The Phoenix Pension and Provident Ltd.) are included in the list of concentrated entities, due to their definition as significant financial entities.

The Law allows reporting entities to have a holding structure of no more than two tiers. The Company is a first-tier company.

The Concentration Law sets restrictions and conditions for separating significant financial entities from significant non-financial entities. As part of the said restrictions, the Concentration Law sets a restriction whereby an institutional entity may hold no more than 10% of the means of control in a significant non-financial corporation. The Law also prohibits a controlling shareholder of a significant non-financial corporation, a person related to such a controlling shareholder or an officer in a significant non-financial corporation from serving as a director in a significant financial corporation. In September 2022, the recommendations of the report of the team for reviewing the separation of significant financial entities from significant non-financial entities were published; the team was set up in accordance with the Market Concentration Law. The team's recommendations included, among other things, a reference to corporations that issue debt for the insurance companies; it was recommended to revise the definition of "financial entities" in the Market Concentration Law, such that it also includes an issuance company of an insurer. It is also stated in the report that as part of the discussions concerns were raised regarding developments in the holdings of the institutional entities over the years leading up to concentration of the institutional entities in Israel. In view of the range of opinions raised within the team and the scope and consequences of this issue for the entire Israeli economy, the team decided to conduct further review and work in connection with this issue outside the framework of the report.

Circulars issued by the Capital Market, Insurance and Savings Authority

4.1.1.14 In January 2022, a number of circulars were published which promulgate special provisions in connection with "senior citizens" or "disabled persons", including: Provisions on cutting response times when providing responses to the Capital Markets Authority regarding inquiries of "senior citizens" or "disabled persons" (circular on **Regulating the Conduct of Supervised Entities when Dealing with Public Inquiries - Amendment**); promulgating special provisions regarding the settlement of claims filed by

senior citizens, such as providing personal response and support as part of the process of handling the claim, giving claimants the option to submit a claim orally, reducing response times and delivering messages orally (circular on **Dealing with and Settling of Claims and Inquiries (Amendment)**); requiring institutional entities to appoint an "officer in charge of senior citizens" and to file the Commissioner an annual report that will review the entity's compliance with the Accessibility Regulations (circular on **Service to Institutional Entities' Customers (Amendment)**); and setting rules whereby the signing-on of senior citizens to insurance products shall be conducted by customer service representatives who are specifically trained for dealing with this population, and setting rules for a special, two-stage process of selling insurance products to senior citizens (the **Signing-On to Insurance Plans Circular - Amendment**). Further to the above, in June 2022, a further amendment was published for the circular on **Service to Institutional Entities' Customers**, which revised the section requiring proactively contacting seniors by phone. Furthermore, in September 2022, a further amendment to **The Signing-On to Insurance Plans** circular was published, which prescribes that the two-phase signing-on process as part of proactive marketing to senior citizens will only apply when the signing-on process is carried out in circumstances other than a physical meeting with the insurance candidate.

4.1.1.15 The Signing-On to Insurance Plans Circular - Amendment was published in January 2022; the key points of the circular are: The imposition of a requirement to conduct an enhanced adjustment of needs when canceling a policy and transferring a customer to another company in various property and casualty insurance subsegments as well; a requirement whereby during the signing-on process a policyholder shall have the option to make an active selection with regard to various material issues (such as deductible, expansions, etc.) and those aspects will not be decided based on a default option; stipulating that any signing-on conversation shall be subject to an audio recording at the very least; a stipulation whereby an insurance company shall only purchase the contact details of a potential customer (lead) if it verified that the candidate agreed to have his/her details used for insurance marketing purposes; and a stipulation whereby it will be impossible to cancel the transfer of information to the "Har Habituach" website as part of the signing-on process; rather, such cancellation will only be possible by contacting the insurer directly and separately.

Further to the above, in June 2022, **The Signing-On to Insurance Plans Circular - Amendment** was published, the key provisions of which are: (1) Postponing the circular's effective date to August 31, 2022; (2) with respect of the property and casualty insurance subsegments it was prescribed that a marketing entity will not assign an insurance candidate to a default insurance, unless when this option was presented other alternatives were also presented, and the insurance candidate was given the option to waive or change it; (3) prescribing a temporary order through the end of 2023, where under the provisions of the circular will not apply to the marketing of fixed-term health and property and casualty insurance products, which are purchased without proactive marketing; this provision was set with the aim of allowing the market to develop in the field of digitization.

Further amendments to **The Signing-On to Insurance Plans Circular** were published in September 2022 and March 2023, which postponed the effective date of certain provisions included in the amendment to the circular.

4.1.1.16 In May 2022, a circular on **Reporting Cyber Events and Technological Failure** was published. The circular provides for the types of incidents which an institutional entity is required to report to the Commissioner as cyber events and technological failure, and further provisions on reports with material impact, so as to ensure that the entity takes the steps required to mitigate the damage caused by such an incident, to ensure the performance of appropriate recovery processes and the drawing of lessons from the incident; and to allows the Capital Market, Insurance and Savings Authority to take supplementary steps when there are concerns that an incident will have an extensive impact.

Drafts

4.1.1.17 In August 2022, the Ministry of Finance and the Ministry of Justice published the memorandum of the **Insurance Contract Law (Amendment No. __) (Insurer's Duty to Pay Insurance Benefits and Financial Sanction), 2022**. The law memorandum suggests to add Section 21A to the Insurance Contract Law, which will prescribe expressly that an insurer is required to pay the insurance benefits to the policyholder on the dates and amounts set in accordance with the provisions of the law and the contract, in order to allow the imposition of an administrative sanction on an insurer

who does not meet its obligations as stated above. At the same time, it is suggested to amend The Supervision Law and vest in the Commissioner of the Capital Market, Insurance and Savings the power to impose a financial sanction on an insurer, who did not pay the insurance benefits in accordance with the provisions of the law, after the Commissioner had checked the policyholder's complaint by the powers vested in him by law.

4.1.2 Provisions regarding regulation of corporate governance

4.1.2.1 Legislative arrangements

4.1.2.1.1 In August 2018, a circular titled **Institutional Entity's Board of Directors** was published, which stipulates a series of directives as to the qualifications of the members and chairman of the board, the composition of the board, the board members' competency, their place of residence, knowledge of the Hebrew language, restrictions on the appointment and service of directors, requirements for expertise of board members, the board's powers and conduct, and directives concerning the board's committees of the institutional entity. The circular came into force on April 2, 2019, and as from April 2022, after the transitional period, the circular was implemented in full.

In April 2022, an amendment to the provisions of the **Consolidated Circular - Board of Directors of an Institutional Entity** - was published. The original circular sets restrictions on the appointment and service of directors, including, among other things, a provision prohibiting officers in a financial entity from serving as directors in an institutional entity, in accordance with the classification of the financial entity and the scope of the entities' assets. According to the amendment to the circular, the said restriction shall not apply to anyone who serves at the same time both as a director in an institutional entity and as an officer in a financial entity or a corporation controlling an financial entity, so long as the two entities in which he/she serves are controlled by the same controlling shareholder.

4.1.2.1.2 In April 2022, the **Companies Regulations (Rules Regarding Compensation and Reimbursement of Expenses for External Directors (Temporary Order), 2022**, was published in the official gazette. The spread of the Covid-19 virus in Israel led to the imposition of various restrictions on the population, which made it difficult (and sometimes impossible) for boards of directors to work in an orderly manner, and which required a transition to work using electronic means. According

to the Companies Regulations (Rules Regarding Compensation and Reimbursement of Expenses for External Directors, 2000, an external director is entitled to 60% of the regular compensation for a meeting in which he/she participated using "communication means". The provision did not predict a situation where legal restrictions will be placed which, will prohibit, or make it difficult for boards of directors to convene a physical meeting, as was the case during the Covid-19 pandemic. In view of the above, a temporary order was prescribed under the regulations to the effect that a company's board of directors may establish criteria according to which the participation of an external director in a meeting held during the restriction period using means of communication will be classified as participation in an ordinary meeting, if the meeting would have normally been held in the presence of the participants and there is an impediment to holding it in the presence of some or all of the participants, due to restrictions imposed according to legislation whose purpose was to tackle the spread of the Covid-19 virus or if there is another justification for participating in the meeting through means of communication due to such restrictions. The regulations will apply retroactively as from March 15, 2020.

4.1.2.13 In May 2022, a circular on **Approval of Officers and Reporting on Position Holders in Institutional Entities** was published. The circular describes the circumstances in which an institutional entity is required to deliver to the Commissioner notice about the appointment and reappointment to an office in accordance with Section 41(A) to The Supervision Law, and modifications were made in the candidate's questionnaire and in statement regarding the Criminal Information and Rehabilitation of Offenders Law, 2019, and the changes that took place following the publication of the "Board of Directors of Institutional Entities" circular.

Drafts

4.1.2.14 In March 2023, the Israel Securities Authority published **proposed amendments to the Regulations regarding Diversity in Boards of Directors of Reporting Corporations, Mutual Funds and Large Portfolio Management Companies**. The proposed amendments were published against the backdrop of the global emerging trend in recent years for promoting equality as part of the fundamental underlying values of ESG considerations, and in view of investors' interest in the composition of boards of directors and gender diversity. As part of the regulations, it is suggested to set disclosure requirements for reporting corporations regarding gender

diversity in the board of directors, and regarding the policy of diversity in the workforce.

4.1.3 Provisions regarding investment management by institutional entities

4.1.3.1 Legislative arrangements

4.1.3.1.1 Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 set a uniform framework for investment rules applicable to all institutional entities, including the nostro funds.

In May 2022, the **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities (Amendment), 2022, the Supervision of Financial Services Regulations (Provident Funds) (Crediting Yields in a New Comprehensive Pension Fund) (Amendment), 2022 and the Supervision of Financial Services Regulations (Provident Funds) (Transfer of Funds between Provident Funds) (Amendment), 2022**, were published; the said regulations came into effect on October 1, 2022 (hereinafter - the "**Amendment**"). The purpose of the Amendment is to adapt the regulations to the mechanism for supplementing returns set in Chapter C to The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021, which deals with ensuring the stability of returns of pension funds; as part of the said chapter, the Provident Funds Law was amended, and it was prescribed that the mechanism of designated bonds for pension funds will be replaced with a new mechanism that ensures stability by supplementing returns (hereinafter - the "**Guaranteed-Return Investment Channel**"). According to the said chapter, 30% of the pension funds' assets, that were invested in designated bonds through the Amendment date, will be invested in accordance with the Guaranteed Return Investment Policy in accordance with the mechanism set in the law, and will benefit from entitlement to guaranteed annual return of 5.15% (index-linked).

Set forth below are the key provisions included in the Amendment: (1) The provision requiring an old pension fund and a new pension fund to invest 30% of its assets in designated "Arad" bonds was canceled; (2) multi-track old funds were required to invest in a Guaranteed-Return Investment Channel that establishes the savers right to guaranteed annual return of

5.15% (index linked), such that together with the total investment in designated bonds, the overall investment rate in those assets shall be 30% of the fund's assets; (3) the rate of assets that a management company of an old fund may invest in accordance with the provisions of Chapter C to the Investment Rules Regulations was amended from 35% to 50%; (4) the arrangement was canceled where under it was possible to view the assets transferred to an old fund by related parties as an investment in designated bonds to the old fund.

4.1.3.12 The codex of regulations on management of investment assets compiles and combines regulatory provisions that were included in the various circulars by virtue of the Commissioner's power pursuant to the Regulations; this power was given to the Commissioner with the aim of adapting some of the restrictions applicable to institutional entities to changing market conditions.

4.1.3.13 In April 2022, an amendment to the provisions of the **Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Designated Bonds)** was published. The circular prescribed the following amendments: (1) A temporary order was prescribed that will be in force until December 31, 2023, whose objective is to transfer liquid assets to the Guaranteed-Return Investment Channel by other institutional investors that are part of the same group of investors; this was prescribed further to the legislative amendments regarding the replacement of the designated bonds mechanism in the pension funds with a return supplementing mechanism, where under the institutional entity will be required to transfer or buy liquid assets to the Guaranteed-Return Investment Channel; (2) regarding investment baskets, it was decided that an investment basket for the management of foreign currency investment risks shall be deemed a liquid basket under certain terms; it was also clarified that investments made as part of the Guaranteed-Return Investment Channel may be managed in investment baskets; an option was given to manage the funds of the Guaranteed-Return Investment Channel through an investment basket dedicated for those funds, and to transfer securities to a liquid basket under certain terms; (3) It was determined that the holding of cash and cash equivalents in an index-tracker specialized investment track at a rate of no more than 40% of the total revalued assets of the track shall also be possible in a bank that operates outside Israel, provided that the bank has a minimum rating of AA-; (4) it was determined that an investment of an institutional entity or a group of investors in a real estate corporation at a rate of more

than 20% of a certain type of means of control and up to 49% of a certain type of means of control will only be allowed if the means of control in the real estate corporation are illiquid.

4.13.14 Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions), 2008

These regulations regulate the types of direct expenses an institutional entity may deduct from planholders' funds under its management in respect of investments it makes in addition to the management fees it collects from planholders.

The Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions) (Amendment), 2022 were published in October 2022. The amendment was published further to the recommendations of the Yafeh Committee, which was appointed by the Commissioner of the Capital Market, Insurance and Savings in order to review the issue of direct expenses: Set forth below are the key changes set as part of the amendment: (1) Instead of setting a direct fees percentage point cap, each institutional entity will set, in advance, and for each investment track under its management, a cap on the "management fees to external parties" it may charge in the next financial year; (2) all other types of direct expenses (regardless of whether they arise from direct liquid investments or from direct illiquid investments), shall not be subject to the management fees to external parties cap; (3) the types of direct fees, that may be collected as part of tracks specializing in investment in liquid assets and tracks specializing in tracking indexes, were limited; (4) for new investment tracks, that contain a variable management fees component in accordance with the track's profit, it was determined that entities will not be allowed to collect any direct expenses other than direct expenses in respect of taxes; (5) it was determined that whenever there is a legal requirement to present to the planholder or policyholder the management fees, the planholder or the policyholder shall also be presented with the total expected cost that he/she will bear during that year in respect of management fees and direct expenses. The amendment will come into effect on January 1, 2023, and the existing arrangement will continue to apply through that date with retroactive application as of April 6, 2022.

4.13.15 In January 2022, A **Policy Paper - Investment in Insurtech Corporations and in Investment Corporations in the Field of Innovative Financial Technology**. The objective of this policy paper is to encourage institutional entities to consider investments in innovative financial technology in areas in which they have enhanced expertise enabling them to evaluate the economic viability of such investments, due to such investments' being closely related to their areas of activity. This paper replaces the said Commissioner's position paper on "Investment in Insurtech Companies" of January 13, 2020, and set outs guidelines and conditions for approval by the Commissioner (in accordance with Regulation 33(B) to the Investment Rules Regulations), of insurer's control or holding means of control in a corporation whose purpose is the development of Insurtech ventures, both in relation to investment in corporations investing in Insurtech ventures, and in relation to corporations whose purpose is to invest in innovative financial technology ventures.

4.13.2 Drafts and bills for legislative arrangements

4.13.21 A draft for comments on the "**Commissioner's Position on the Formulation of Desirable Policy Regarding Planholders Investment Committee: Committee's Functions and Responsibilities, Composition and Appointment**" (hereinafter - the "**Draft Position**") was published on January 2022. The key points of the draft position are, among other things: (a) the committee shall function as the organ overseeing the management of investments by the institutional entity, rather than as a party involved in the management of the investments in practice; (b) the committee shall be in charge - independently and exclusively - of the formulation of the institutional investor's voting policy in general meetings, and of the making of decisions as to how to vote in such meetings; (c) all committee members shall be "independent representatives"; (d) the appointment of committee members shall be carried out by a public committee, whose members will include various representatives of the public; and (e) committee members shall be required to have experience of at least five years in the area, in lieu of the current requirement that settles for two years of experience.

4.13.22 Further to the publication of **The Supervision of Financial Services Regulations (Provident Funds) (Direct Expenses Incurred as a Result of Execution of Transactions) (Amendment), 2022** (see Section 4.1.3.1.4 above), in November 2022 and March 2023 a draft circular

was published regarding the **Manner of Presentation of Annual Expected Cost to Planholders or Policyholders**. As part of the draft, it was suggested to prescribe provisions for the regulation of the manner of the presentation of the annual expected costs to existing and new customers; the provisions will apply as from January 1, 2023 to all financial entities, until the amendment of the circular that prescribe that the management fees rate should be presented, including "The Signing-On to Insurance Plans Circular", "Annual Report and Quarterly Report to Planholders and Policyholders in an Institutional Entity Circular", the "Management Fees in Pension Saving Instruments Circular" and the "Explanation Document Circular". In order to ensure uniformity regarding the method of calculating the expected annual cost, it was suggested to prescribe in an appendix to the circular a uniform calculation for the presentation of the annual expected cost; it is suggested to determine that the provisions of the circular will not apply to insurance policies with a saving component that were marketed before 2004, and to old funds, and that the circular's provisions will come into force on June 1, 2023.

In addition, in December 2022, the Commissioner published the draft circular regarding the amendment of the **Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" (Publication of External Management Costs Cap as Part of an Advance Statement of an Institutional Investor regarding its Investment Policy, Establishment of an Index-Tracking Investment Basket, and Reports to the Investment Committee regarding Variable Management Fees that were Collected) (Draft)**. As part of the draft, it is suggested to amend the provisions of the circular such that they will be in line with recent amendments in the Direct Expenses Regulations and the Investment Tracks in Provident Funds Circular, regarding, among other things: The manner of publication of the external management fees cap in an advance statement of an institutional investor regarding its investment policy; allowing the setting up of a dedicated investment track for the management of investments in index-tracking assets; and reports to the investment committee regarding direct expenses that constitute variable management fees.

4.1.4 Provisions on accounting reports, reporting and presentation rules and reports to be submitted to the Commissioner

4.1.4.1 General

The Supervision Law and the regulations promulgated thereunder stipulate, among other things, provisions regarding the content, details and accounting principles to be applied in the preparation of insurance companies' financial statements, including the accounting treatment applied to insurer's assets and liabilities.

The main accounting principles used by the Group in preparing the financial statements are described in Note 2 to the Company's financial statements.

From time to time the Commissioner publishes circulars and directives pertaining to reporting rules for both insurers and management companies, and to the accounting rules that should be applied to financial statements of insurers and management companies.

4.1.4.1.1 On June 2020, the Capital Market, Insurance and Savings Authority published a paper titled "**Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts**". The roadmap lists the steps required to ensure the preparedness of Israeli insurance companies for the implementation of IFRS 17 - Insurance Contracts - and the timetables for the implementation of these steps. The steps set out in the roadmap are designed to increase the level of regulatory certainty as to the planned implementation date of the standard and as to the main steps insurance companies will need to take in order prepare for the implementation. The roadmap sets key milestones, the achievement of which will be required as part of the preparations made by insurance companies. These milestones pertain to several aspects of preparedness: (1) IT systems; (2) project management; (3) accounting policies; (4) quantitative tests; and (5) disclosure to the public.

Further to the above, the Commissioner published a revised Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts in May 2022, which delayed the Standard's application date in Israel, such that the first-time application of the Standard in Israel will be from the quarterly and annual periods beginning on January 1, 2024.

In December 2022, the Capital Market, Insurance and Savings Authority published a second revision of the **Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts**. The main amendments that were carried out as part of the

second revision to the roadmap (compared to the first revision to the roadmap) are as follows: (1) Adapting the disclosure requirements in the 2023 financial statements; (2) adding requirements regarding reports to the Israel Securities Authority on the Company's results and its financial position in accordance IFRS 17 and IFRS 9 for the first quarter of 2023; (3) revising the time table relating to information systems preparations; (4) a clarification whereby the accounting policies paper that will be delivered to the Israel Securities Authority will include the list of reinsurance portfolios held, as determined by the company.

4.14.1.2 Further to the publication of the roadmap, in February 2021 and January 2022, the Commissioner published a draft circular titled **Revision of the Consolidated Circular regarding Measurement - Professional Issues Pertaining to the Application of IFRS 17 in Israel**. The purpose of the draft circular is to create as uniform a method of application of the Standard as possible by Israeli insurance companies by setting principles for application of the Standard with respect to certain professional issues regarding which the standard is not unequivocal, or whose application in Israel requires some interpretation.

In December 2022, the Commissioner published a third draft circular regarding **Illustrative Financial Statements of Insurance Companies in accordance with IFRS 17**. The draft suggested modifying the format of the disclosure required in the annual financial statements of insurance companies in accordance with the expected changes in IFRSs.

In addition, in December 2022, a fourth draft of the **Q&A File for Implementing IFRS 17 in Israel** was published. This draft includes a number of wording revisions compared with the latest published draft. The Q&A file is designed to assist insurance companies in their preparations for the implementation of IFRS 17. Furthermore, In December 2022 the seventh draft of the circular **Professional Issues in the Implementation of IFRS 17 in Israel** was published. The draft circular provides guidance on professional issues in accordance with the Roadmap for the Adoption of International Accounting Standard (IFRS) 17 published by the Capital Market, Insurance and Savings Authority.

For further details regarding the preparations made by the Company for application of the standard, please see Note 2FF to the Financial Statements.

4.14.13 In January 2022, **Circular on Amendment of the Provisions of the Consolidated Circular - Reporting to the Commissioner of Capital Market - Own Risk and Solvency Assessment of an Insurance Company (ORSA)** was published. According to the draft, an insurance Company shall report its ORSA to the Commissioner of Capital Market once a year. The circular includes rules and principles regarding the said report, the content of the reports' parts and provisions relating to the manner of reporting. Further to the above, in January 2022 a letter titled **Principles for the Implementation of an Insurance Company's ORSA** was published, which sets forth complementary principles for an insurance company's risk and capital management framework, which will be taken into account in the preparation of the ORSA report and which will be reflected therein. In January 2023, The Phoenix Insurance submitted its first ORSA report to the Commissioner in accordance with the provisions of the Consolidated Circular.

4.14.14 In February 2022, the Commissioner published a circular titled **Amendment to the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Illiquidity Premium**. The consolidated circular deals, among other things, with insurance companies' duty to perform liability adequacy testing (LAT) for all its insurance businesses (property and casualty, life, long-term care and health). The circular allows adding an illiquidity premium to the discount rate when calculating the supplement arising from the LAT; such illiquidity premium will vary between various policies and reserves. As part of the amendment to the Circular a revised method is set to estimate the illiquidity premium that can be used for the liability adequacy test. The Amendment revised the results of the formula for the illiquidity premium, which stands at 0.26% on the eve of the Amendment, to a rate of approximately 0.54%. The revision was carried out since a significant period has elapsed since the date on which the formula was set, and following a review - by the Capital Market, Insurance and Savings Authority - of the method employed to estimate the illiquidity premium, which was based on results of researches conducted in Israel and abroad.

4.14.15 In March 2022, the Commissioner published an **Amendment of the Consolidated Circular regarding Report to the Public - Disclosure about the Independent Auditor in the Report on the Corporation's Business**. The amendment canceled the requirement to report the number of audit hours spent by an independent auditor, and to reduce the scope of details reported in connection with independent auditors' fees by types of services rendered by the independent auditor in the Report on the Corporation's Business. As a complementary step, the Commissioner published an amendment alongside the draft, which is addressed to Chairpersons of Board of Directors and Audit Committees of the insurance companies and the management companies, which clarifies the importance of conducting a thorough discussion in Board of Directors' committees about the quality and scope of the work of independent auditors.

4.14.16 In February 2023, the Commissioner published a **Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT in Property and Casualty Insurance**. The provisions of the Consolidated Circulars regarding the "measurement of liabilities" deal with an insurance company's right to refer to the difference between the amortized cost and the fair value of assets that are not recognized in the statements of financial position at fair value, except for designated bonds, when performing LAT ("**UGL**"). The purpose of the circular is to clarify how the method employed to revalue the assets may be taken into account when performing LAT in property and casualty insurance. Specifically, it is clarified that a company may take UGL into account even when it calculates the reserve employing methods other than best practice, if the calculation of the reserve is carried out using a discount rate based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability.

4.1.5 Actuary and risk management, including provisions regarding Solvency II-based Economic Solvency Regime

4.1.5.1 General

As part of its insurance activities, an insurer is required to hold assets against its insurance liabilities.

From time to time, the Commissioner publishes circulars providing guidance on actuarial assessments used in life, health and property and casualty insurance.

Most of the actuarial rules, methods and assumptions used to determine the Group's insurance liabilities are listed in Section 2.1 of the Report of the Board of Directors, Notes 2 and 40 to the Financial Statements, and the actuary's statements in the life, health and property and casualty subsegments, which are attached to the Financial Statements.

4.152 Duty to appoint an actuary, actuaries' work methods and required qualifications

The Supervision Law stipulates that an insurer, including an insurer which serves as a pension fund's management company, must appoint an actuary for each of its insurance segments; the actuary's roles include, among other things, making recommendations to the Board of Directors and CEO as to the amount of the insurer's insurance liabilities or the actuarial balance sheet of the pension fund it manages, as applicable.

In September 2022, an amendment to the provisions of the **Consolidated Circular - Supervising Actuary and Chief Actuary**. As part of the circular, it was decided that an insurer will appoint only one chief actuary that will head the insurer's actuarial science function; the said actuary will report directly to the insurer's CEO, and will also serve as a member of management. The circular also sets the roles of the chief actuary, as the head of the actuary function; he/she is in charge of supervising the work of all of the actuaries employed by the insurer, and the roles of the supervisory actuary. The circular prescribes that the chief actuary will be required to submit to the board of director and CEO of the insurer and to the Commissioner an actuarial solvency report at least once a year; this report will describe the various activities of the actuarial science function within the scope of the chief actuary's areas of activity. The circular also adds the requirement that on each balance sheet date a supervisory actuary will submit to the board of directors and CEO of the insurer and to the Commissioner a report in which he/she will describe his/her recommendations as to the appraisal of the insurer's insurance liabilities. Finally, it is determined that the chief actuary shall attach a short statement to the annual report of the supervisory actuary. The circular sets out transitional provisions whereby the effective date of the circular's provision whereby an insurer will appoint only one chief actuary, in the case of an insurer which had two serving chief actuaries prior to the effective date, and the effective date of the circular's provision whereby the chief actuary shall report to the CEO shall be January 1, 2024 - the date on which IFRS 17 comes into force.

4.153 Duty to appoint a Chief Risk Officer, his/her roles and required qualifications

An institutional entity is required to appoint a Chief Risk Officer and set up a risk management function. The Chief Risk Officer's roles include, among other things, identifying

the Company's material risks, quantifying and estimating their effect and reporting to the management and the Board of Directors.

4.1.5.4 Provisions regarding the implementation of Solvency II-based Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Economic Solvency Regime"), which was published on October 14, 2020. The Economic Solvency Regime is a regulatory directive that regulates capital requirements and risk management processes among insurance companies. The Economic Solvency Regime sets a standard model for calculating eligible capital and the regulatory solvency capital requirement, with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's economic shareholders' equity recognized for solvency purposes and the required capital. In accordance with the provisions of the Economic Solvency Regime, the economic solvency ratio report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

Increasing the economic capital in accordance with the transitional provisions - the Company opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet, including the risk margin attributed thereto (net of the difference between the fair value and the carrying amount of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032. The deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period.

4.1.5.5 In March 2022, the Commissioner published a **revision to the Provisions of the Consolidated Circular regarding Report to the Public - Appendix 5.1.4.5 - "Economic Solvency Ratio Report"**. This circular is designed to revise the structure of the "report on changes in capital surplus", in the "Economic Solvency Ratio Report", in order to better reflect the effects on capital surplus, based on, among other things, the discussions held on this matter by a dedicated team of the Capital Markets Authority with the insurance companies.

4.1.5.6 In November 2022, the **Commissioner published its position - Principles for Recognizing Complex and Material Transactions Aimed to Improve the Economic Solvency Ratio**. The Economic Solvency Regime Directives prescribed in the Consolidated Circular include a reference to means and methods for mitigation of risks. The directives set out the terms for insurance company's taking into account the consequences of risk mitigation means in its calculation of economic solvency regimes, and emphasize that an effective transfer of the risk is essential. This position of the Commissioner is designed to set out guidelines for recognizing transactions for reducing capital requirements.

As a complementary measure, in November 2022, the **Amendment of the Provisions of the Consolidated Circular - Chapter 3 Part 4 Title 5 "Reporting to the Commissioner of Capital Market" - Reporting Material Transactions Aimed to Reduce Capital Requirements**. The circular regulates the requirement to report to the Commissioner complex and material reinsurance transactions before they are signed. According to the explanatory notes, this report will allow the Commissioner to assess the effectiveness of the transfer of the risk to the reinsurer, and to ensure that the nature of the transaction is properly reflected in the model used to calculate the economic solvency ratio, in order to ensure the stability and proper management of the insurance companies.

4.1.6 The principal legal frameworks of the asset management - pension and provident segment

4.1.6.1 Legislative arrangements

4.1.6.1.1 The Financial Services Supervision (Provident Funds) Law, 2005 (the "**Provident Funds Law**") regulates the establishment of management companies, the manner in which they are to be managed and ways in which they operate; the law lists the terms and conditions for obtaining a license to manage a management company, and sets provisions on obtaining permits to control and hold stakes in management companies. The law also regulates the relationship between a planholder and the management company and even determines the rights of a planholder in a provident fund.

4.1.6.12 Financial Services Supervision (Consulting, Marketing and Pension Clearing System) Law, 2005 (the "**Pension Advice Law**") regulates the practice of engaging in advice on and marketing of pension products, including provisions on the duty to obtain a license and the terms and conditions of such a license, prohibitions and restrictions on the practice of providing advice on and marketing of pension products, supervision of license holders, and the Commissioner's right to set proper conduct provisions and provisions designed to safeguard policyholders' interests, including the imposition of sanctions, civil fines and criminal sanctions. The law also sets provisions dealing with the licensing procedure of a company operating a pension clearing system, and the mechanisms for supervising such a company (the "**Clearing System**").

The Clearing System is used to transfer information about pension products of planholders in the various institutional entities, transfer applications to make changes in the pension products and information about direct contributions by employers; the Clearing System is also used to make actual transfers of funds.

4.1.6.13 The Prohibition on Money Laundering Law, 2000, and the Prohibition on Money Laundering (Obligations of Identification, Reporting and Record Keeping by Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism) Ordinance, 2017, require insurers, insurance agents and management companies to identify and verify customers' details. The said law and ordinance set, among other things, provisions regarding the requirement to conduct a "know your customer" procedure when issuing a life insurance contract and opening a provident fund account, the requirement to check whether the customer is included in the list of active terrorist groups and individuals as defined in the ordinance, and the requirement to submit regular and special reports to the Israel Money Laundering and Financing of Terrorism Prohibition Authority.

4.1.6.14 The Income Tax Ordinance (New Version), 1961 confers upon provident funds, pension funds and insurance funds a special status with regard to income tax credits and deductions and various exemption provisions; this status is designed to encourage the public to save for retirement through provident and insurance funds.

4.1.6.15 Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964 (hereinafter - the "**Provident Funds Regulations**") regulate certain aspects of the management of provident funds, including

contributions to be made into such funds, the use of their funds, payments to planholders and provisions with regard to reports issued to planholders.

The Provident Funds Regulations apply to pension funds, provident funds and insurance plans approved as insurance funds (executive insurance and insurance for the self-employed).

4.1.6.16 The **Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages in Provident Funds), 2013** regulate the insurance coverages that a management company is allowed to purchase for planholders in an annuity provident fund under its management, the terms and conditions of such insurance coverage, and the terms and conditions for group insurance in an advanced education fund and in a non-annuity provident fund.

4.1.6.17 The **Supervision of Financial Services Regulations (Provident Funds) (Self-Directed Provident Funds), 2009** allow savers to manage the investment of their pension savings by themselves. This arrangement enables savers to benefit from tax benefits in respect of contributions made into provident funds and/or advanced education funds, and at the same time, to control the manner in which their funds are invested, either personally or through a portfolio manager who follows the savers' instructions.

4.1.6.18 In June 2021, The Capital Market, Insurance and Savings Authority published a paper that lists the **principles for implementation of the API technology in the pension saving market** that includes the key principles according to which the Capital Market, Insurance and Savings Authority will act to upgrade the technological infrastructure in the pension savings market. Furthermore, the Commissioner published a **Circular on Uniform Format for Transferring Information and Data in the Pension Savings Market - Update**; the circular's key points are: Adding an - "Events Interface Set Up", and requiring license holders to transfer applications to join provident funds using this interface; requiring that applications to only be submitted using the transition interface; cutting the period for giving feedback to an application to transfer funds; and giving customers the option to update material details using the Clearing System.

Later on, in February 2023, a Circular on a **Uniform Format for Transferring Information and Data in the Pension Savings Market - Amendment** - was published. As part of the circular, the effective date of the provisions regarding the integration of API-based protocols, which were supposed to come into force on November 26, 2023 are postponed to June 1, 2024. Furthermore,

the Commissioner canceled the gradual coming into effect of Section 5A to Appendix E (Employers Interface), that prohibits the use of escrow account in connection with an employer that employs more than 10 employees, and an employer that employs less than 10 employees, such that the effective date of this section for all employers will be February 1, 2024.

4.1.6.1.9 The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter C: Ensuring the Stability of Pension Funds' Returns was published in November 2021. The law supersedes the existing mechanism for ensuring the stability of pension fund savings through designated bonds with a new mechanism that ensures stability by supplementing returns. According to the law, for pension fund assets accrued as from the effective date of the amendment, the state will undertake to supplement pension fund returns up to a rate of 5.15%, and the pension fund assets underlying the commitment to supplement the returns will be invested in the capital market.

Furthermore, the **Supervision of Financial Services Order (Provident Funds) (Deferral of the Effective Date), 2022** was published in February 2022. As part of the order, the effective date on which the existing mechanism of designated bonds to pension funds shall be replaced with a new mechanism for ensuring the supplementing of returns, was postponed from July 1, 2022 to October 1, 2022.

Furthermore, in July 2022, a number of circulars were published, whose objective is to adapt existing circulars in view of the replacement of the mechanism of designated bonds to pension funds with a new mechanism for ensuring the supplementing of returns, including, the circular on **Provisions for Management of a New Fund**, update to the provisions of the consolidated circular regarding **Measurement and Report to the Public - Ensuring the Supplementing of Return to Pension Funds**, the circular on **Rules for Increasing the Rate of Return Credited to Annuity Recipients in New Pension Funds**, and amendment of the circular on **Provisions for Financial Reporting for Old Pension Funds to which no Special Administrator was Appointed**.

4.1.6.1.10 In January 2022, the Commissioner published the **Supervision of Financial Services Regulations (Provident Funds) (Management Fees) (Amendment), 2020**. Under the amendment, the maximum annual rate of management fees collected from planholders who receive an annuity was

reduced from 0.5% to 0.3%; this amendment will apply to planholders of comprehensive pension funds and general pension funds, who started receiving an annuity as from February 1, 2022, and to policyholders in insurance policies issued by insurance funds after February 1, 2022.

4.1.6.1.11 In March 2022, the Commissioner published the **Circular regarding a Procedure for Locating Planholders and Beneficiaries - Amendment**.

The "Procedure for Locating Planholders and Beneficiaries" Circular stipulates, among other things, that nine years after its effective date institutional entities will start transferring to the Administrator General information regarding the existence of funds of planholders, the contact with whom was discontinued, and funds of planholders who passed away. Accordingly, following the transfer of the said information, the Administrator General will be entitled to demand from the institutional entities the transfer of funds to its management. As part of the amendment to the circular, the implementation of the provision regarding reporting to the Administrator General was postponed by two years in order to formulate an orderly outline for transferring the reports to the Administrator General that will address a potential adverse effect on the rights of savers, the contact with whom was discontinued.

4.1.6.1.12 In June 2022, an **amendment to the provisions of the Consolidated Circular regarding Measurement of Liabilities - Updating the Demographic Assumptions System in Life Insurance and Pension Funds**

was published. The purpose of the circular is to revise the measurement chapter in the Consolidated Circular, and to list revised default assumptions on the basis of which the insurance companies, pension funds and annuity provident funds will make the actuarial calculations (annuity conversion factors, liabilities, actuarial balance). The revision of the default assumptions constitutes, in effect, a revision of the mortality improvement model of 2019, which is based on the recommendations of the professional committee of the Israel Association of Actuaries, in accordance with data accrued since 2019.

4.1.6.1.13 In September 2022, the **Investment Tracks in Provident Funds Circular - Amendment** was published. The objectives of the circular is to revise and

expand the range of specialized investment tracks that an institutional entity may manage, while implementing the conclusions of the Yafeh Committee for the review of the direct expenses issue. Set forth below are the key changes in the circular:

(1) Specialized investment tracks were set, which the institutional entity will be allowed to manage in a provident fund which is not an advanced education fund, or an investment provident fund, in accordance with the following clusters: (a) Cluster 1 - actively-managed investment tracks; specialized investment tracks characterized with direct investments alongside investments in index-tracking assets; (b) Cluster 2 - actively-managed investment tracks with variable management fees; specialized investment tracks characterized with direct investments alongside investments in index-tracking assets whereby the institutional entity collects variable management fees in accordance with the return that was achieved. It should be noted that institutional entities will only be allowed to set up those investment tracks after the publication of an amendment to the Management Fees Regulations, which will allow the collection of variable management fees; (c) Cluster 3 - direct investment tracks in liquid assets: specialized investment tracks that are characterized in investments in liquid assets; (d) Cluster 4 - index-tracking investment tracks; specialized investment tracks that are characterized in index-tracking instruments; (e) Cluster 5 - faith and sustainability-based investment tracks: investment tracks that specialize in the management of investment in accordance with religious values or a sustainability and environment-based outlook.

(2) It was decided that an institutional entity, which is not a management company of a sectoral provident fund, must have in place the following specialized investment tracks at the very least: combined liquid investment track (from Cluster 3) and flexible index-tracking investment track (from Cluster 4).

(3) It was determined that a planholder who opted to invest in a financial investment track shall select, when joining the track: (a) the term during which he/she will invest in the financial investment track from among the following options: 6 months, 12 months or 24 months; and (b) the investment track to which the institutional entity will transfer the funds from the financial investment track at the end of that period.

(4) It was determined that an institutional entity will set out in the bylaws of an advanced education fund a default investment track, which will be one of the following tracks: specialized flexible investment track and a flexible index-tracking investment track.

(5) As part of the transitional provisions, it was determined that an institutional entity that manages a general track outside the insurance policies that were marketed prior to 2004 shall merge it into a specialized flexible investment track

(from Cluster 1); such merger will take place by June 1, 2023 in accordance with the provisions of the law.

Further to the above, in December 2022, the **Investment Tracks in Provident Fund - Amendment Circular** was published, which postponed the effective date of the "Investment Tracks in Provident Funds - Amendment" Circular as of January 1, 2024, except for the following provisions that came into force on January 1, 2023: (1) The requirement to maintain a combined liquid investment track and a flexible index-tracking investment track; (2) giving institutional entities the option to set up a sustainability investment track and an environmental investment track; and (3) the transitional provision that refer to the manner of modifying the different track, taking into account existing obligations as part of the modification of the investment tracks. Furthermore, as part of the final wording, the requirement to merge the general track into a specialized flexible investment track in an annuity provident fund was canceled; therefore, a provision was added that allows continued management of the general tracks of annuity provident funds, which will still be closed to new members.

4.1.6.1.14 In September 2022, the **Circular regarding Child Long-Term Investment Provident Fund for Savings - Amendment** was published; as part of this amendment, the default track in which the management company will manage the savings if the parent had not opted to use another investment track in its stead was changed, such that instead of a track for savers that prefers low risk, it will be a track for savers that prefer increased risk; this will apply to children that will join starting on December 1, 2022.

4.1.6.2 Drafts

4.1.6.2.1 In February 2023, the Law Memorandum of **The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), 2023, Chapter __: "Increasing Competition and Preventing Distortions in the Insurance and Savings Brokering Segment"** was published, which is expected to be part of the Economic Arrangements Law for 2023-2024. The said law memorandum includes suggestions to promote a number of steps, including, among other things: (1) to prescribe a temporary order (through the end of 2024) to suspend the purchase of insurance agencies by institutional entities or entities in which the institutional entity has a stake of more than 20%, until such time when conclusions are reached by an inter-ministerial team that will assess this issue; (2) oblige

institutional entities, insurance agencies and pension advisors to disclose to the customer the fee amounts paid by the institutional entity for their insurance brokering services rendered in connection with the customer; (3) require the institutional entities to pay a flat fee for alternative products; (4) prohibit institutional entities from refusing to contract with a pension advisors for unreasonable reasons; (5) to allow a "bank with a narrow scope of activity" (as defined in the suggestion), to broker property and casualty insurance products, by giving such a bank a permit to control an insurance agency whose only business is property and casualty insurance.

4.1.6.2.2 In January 2023, the Ministry of Finance published a booklet entitled **Structural Changes for the 2023 and 2024 Budgets**, which includes a series of proposed government resolutions that form part of the government's economic plan, which the Ministry of Finance intends to promote as part of the approval of the 2023-2024 state budget. In this framework, it is proposed, among other things, to allow contributions to executive insurance to be made only for amounts exceeding the maximum pension contribution. It is also proposed to establish a refunding mechanism for volume fees and commissions for cancellations.

4.1.7 The principal legal frameworks of the life insurance and savings area of activity

4.1.7.1 Legislative arrangements

4.1.7.1.1 Many of the provisions of the law that apply to the field of asset management - pension and provident funds as listed in Section 4.1.6 above, also apply to the field of life insurance and savings. For a detailed description of these directives, please see Section 4.1.6 above.

4.1.8 The principal legal frameworks of the property and casualty insurance area of activity

4.1.8.1 Legislative arrangements

4.1.8.1.1 Property and casualty insurance

Supervision of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in Property and Casualty Insurance, 2013) deal with the manner of calculating insurance reserves such that they adequately and properly reflect the insurer's insurance liabilities.

For further details on these regulations and the Commissioner's Directives, please see Note 2 to the Financial Statements.

4.18.12 Compulsory motor insurance

The Motor Insurance Ordinance (New Version), 1970 (the "**Motor Insurance Ordinance**") stipulates that every person using or allowing others to use a motor vehicle must have a valid insurance policy in accordance with the Motor Insurance Ordinance. Pursuant to the Motor Insurance Ordinance, a compulsory motor insurance policy covers the motor vehicle's owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof.

4.18.13 The **Road Accident Victims Compensation Fund ("Karnit")** is a corporation established under the CRAV Law; its purpose is to compensate victims who are eligible for compensation by virtue of that law, but are unable to claim compensation from an insurance company due to one of the following circumstances: the identity of the driver who caused the accident is unknown; the driver does not have compulsory motor insurance, or the insurance does not cover the liability; the vehicle's insurer is under liquidation or an administrator was appointed for the insurer.

4.18.14 In accordance with the **Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Plan for 2009 and 2010), 2009** (the "**Economic Efficiency Law**") as from 2010, the insurance liability in respect of the provision of medical services, which are included in the basket of services set out in the Second Addendum to the National Health Insurance Law, and in the National Health Insurance Ordinance (Medications in the Health Services Basket) was transferred from the insurance companies to the health maintenance organizations; accordingly, the premium component relating to the said insurance liability in respect of medical services is transferred to the health maintenance organizations.

4.18.15 **The Motor Insurance Regulations (Creation and Management of Databases), 2004**, determine the activity of a database operator, which is in charge of the management of the database and the generation of reports used, among other things, to assess the risks in the compulsory motor insurance subsegment, and to determine the cost of pure risk on the basis of which compulsory motor insurance tariffs are determined (hereinafter - the "**Base Tariff**").

4.18.16 The Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001, stipulate the residual insurance arrangement (the "Pool"), which is based on a co-insurance by all insurers. The purpose of the residual insurance is to cover the compulsory motor insurance risk of those who are rejected by commercial insurance companies due to exceptional risk levels (mainly motorbikes and all terrain vehicles). Each insurance company's share in the residual insurance is determined every year based on its proportionate share - during the past year - in the compulsory motor insurance subsegment. The Pool operates as an insurer, and its rates are determined by the Commissioner. The Phoenix's proportionate share in the Pool's losses in the reporting year was 12%.

4.18.17 The Motor Insurance Ordinance (Amendment No. 23) (Loading Component in Insurance Tariff), 2018 was published in the Official Gazette in July 2018; the amendment stipulates that the loading component - which is the amount each policyholder insured under policies outside the Pool should pay as part of insurers' participation in the Pool's costs - was permanently increased to 8% from mid-2020 and thereafter.

4.18.18 The National Insurance Law (Combined Version) 1995 (hereinafter - the "National Insurance Law") authorized the National Insurance Institute (the "NII") as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required to pay. Following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a draft subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the subrogation demand and indemnification rates. Following the above, in July 2015, the Company and NII signed a subrogation agreement relating to compulsory motor insurance, in accordance with the principles of the above draft.

With regard to the said agreement, it should be noted that in March 2018, the **Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018** was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents will be

revoked, and - as a result - the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall netting arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The agreement shall apply to all road accidents that occurred from January 1, 2019 and thereafter; insurance companies' liability with regard to road accidents that occurred between January 1, 2014 to December 31, 2018 shall also be regulated. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers transferred to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

4.18.19 The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

4.18.110 In November 2022, **Amendment to the Provisions of the Consolidated Circular - Title 6, Part 2 - Provisions in the Compulsory Motor Insurance Subsegment** - was published. The key objective of the circular is to revise the rate of fees in the compulsory motor insurance subsegment, following the regulation of the claims netting mechanism between the National Insurance Institute and insurance companies. The "fees" is an amount paid to cover the administrative expenses of an insurance company, agents fees and profit. As part of the amendment, which came into effect on January 1, 2023, it was decided

that the amount of the rate set in the Amendment to the National Insurance Law (10% in 2023-2024 and 10.95% in 2025 and thereafter) will be offset from the net insurance premiums in the compulsory motor insurance subsegment, and this component, that was included in the subsegment's net insurance premium, will be collected from policyholders by the insurance companies and the residual insurance arrangement (the pool) as a separate component, and will be transferred directly to the National Insurance Institute. Accordingly, the rate of fees calculated in relation to the net insurance premiums in the subsegment was revised in order to maintain the existing status of the fees component.

4.1.8.1.11 For information regarding the **Amendment of the National Insurance Regulations (Discounting), 1978** of October 2017, see Note 41 to the financial statements.

4.1.8.1.12 **Motor property**

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring a Private Vehicle), 1986, stipulate the wording of a standard policy that includes the minimum terms and conditions for provision of insurance coverage for private and commercial vehicles weighing up to 3.5 tons. According to the regulations, policyholders may only be given benefits in addition to the terms and conditions of the standard policy, and the scope of their coverage, risks, property and liabilities may only be expanded - not reduced.

4.1.8.1.13 In August 2022, **Amendment to the Provisions of the Consolidated Circular - Title 6, Part 2 - Provisions in the Motor Property Subsegment (Third Draft)** - was published. Set forth below are the key changes offered as part of the draft: (1) setting provisions that will encourage increasing the number of the existing arrangement garages by setting guidelines whereby a garage may be considered an arrangement garage, that will be called from now on an "agreed garage"; (2) outlining a proposed engagement, that includes proper service terms between the insurance company and the agreed garage that makes repairs on its behalf, in accordance with the compensation mechanisms set in the policy; (3) deciding that the insurance companies will prepare and publish a scoring system for the agreed garages based on the satisfaction of policyholders and third parties; (4) setting provisions that prohibit the exercising of influence on garages and the car repair process, and in particular - prohibiting insurance agents from receiving any fees or benefits from a garage or an appraiser; (5) marketing of an arrangement garages policy; and (6) canceling the external

appraisers lists and replacing them with a dynamic and extensive appraiser database with a random selection mechanism.

4.18.1.14 In September 2022, an **Amendment to the Circular on Online Interface for Searching Insurance Products** was published. The amendment prescribes, among other things that: (1) Insurance companies will transfer information regarding the age of a young driver allowed to drive a car under a motor property insurance policy in order to reflect the policyholder information in Har Bituach; (2) the insurance companies will transfer information regarding the policyholder's insurance history in accordance with the provisions of the standard policy set out in the Appendix to the Supervision of Insurance Business Regulations (Terms of Private Car Insurance Contract), 1986.

4.18.1.15 **Other property and casualty insurance**

Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring Homes and their Contents), 1986 stipulate the wording and terms and conditions of a standard policy and a minimum binding home and contents insurance coverage.

4.18.1.16 In May 2022 the draft **Supervision of Insurance Business Regulations (Terms of Home and Contents Insurance Contract) (Amendment), 2022** was published. The draft suggests to make a number of amendments to the standard home insurance policy, following a number of cases in which building collapsed in Israel not as a result of an earthquake, and the lack of clarity as to the insurance coverage of those buildings. Set forth below are the suggested amendments: (1) Adding a dedicated definition for the term "explosion" such that it includes any situation in which there is separation and shattering into fragments with an explosive sound as a result of a rapid nuclear or chemical reaction that generates heat, light, noise or a shock wave; (2) adding an option to expand the standard policy to cover damage to the house for any reason whatsoever; (3) due to the fact that the reinstatement of a condominium that was significantly damaged requires a relatively long time, compensation will be paid in respect of rent expenses up to a maximum period of 24 months, to policyholders who were left without a roof over their head. The amendment will apply to new policies that were purchased before the day on which the regulations came into force.

4.18.1.17 For more information about the publication of the **Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT in Property and Casualty Insurance** in February 2023, see Section 4.1.4.1.6 above.

4.18.1.18 In February 2023, draft **proposals to the government regarding structural changes as part of the 2023 and 2024 economic plan** was published; set forth below are the topics relevant to property and casualty insurance that were included in the draft: (1) It is suggested to take action to publish an index for assessing the operating maintenance cost of vehicles as from June 2023, which will be based on actual data regarding the cost of car spare parts and servicing. It is also suggested to promulgate regulations that are based on the professional guidelines for car appraisers, in which it will be determined that the prices of spare parts in car appraisals will represent the market price of those spare parts; and (2) it is suggested to put in place a mandatory arbitration mechanism for the resolution of disputes in connection with property damages in the motor insurance subsegment; when the litigants will be the insurance or leasing companies, the resolution will be carried out without discussions unless the arbitrator reached the conclusion that it is required to hold an online or face to face discussion, all subject to the arbitrator's discretion.

4.1.9 The principal legal frameworks of the health insurance area of activity

4.1.9.1 In February 2023, the Capital Market, Insurance and Savings Authority published the final text of the **health insurance reform**, which is expected to come into force on May 1, 2023. The key points of the reform are explained in detail in the chapter dealing with the principal changes in the health insurance subsegment in Section 2.3.1.3 above.

4.1.9.2 In November 2022, **the public committee that was set up with the aim of strengthening healthcare services in Israel, and regulating the private and public healthcare system** published its recommendations; the committee was headed by the then Director General of the Ministry of Health, Prof. Nachman Ash. The goals of the committee, were, among other things, to reduce the national health expenditure, thereby reducing the cost of living borne by households.

Accordingly, one of its recommendations was that in order to deal with overlapping insurance between Supplementary Healthcare Services and commercial insurance, it is suggested that the commercial policy will be charged first when a person who has both a commercial policy and Supplementary Healthcare Services claims on his/her insurance. This will lead to a reduction in the premium paid for Shaban plans, since they are required to apply an actuarial balancing out mechanism, and the policyholder will get to utilize all of his/her rights.

This recommendation was reflected in the memorandum of the Economic Plan Law (Legislative Amendments for the Implementation of the Economic Policy for Budget Years 2023 and 2024), 2023 (hereinafter - the "Economic Arrangements Law"), key provisions of which are described in details in the chapter dealing with the principal changes in the health insurance subsegment in Section 2.3.1.3 above.

4.193 In May 2022 the law memorandum of the **Financial Services Supervision Law (Insurance) (Amendment No. __) (Adding the Health Insurance Subsegment to an Agent's License), 2022**, was published. The memorandum proposes to amend the Insurance Supervision Law such that a specific license will be issued for engaging in the health insurance subsegment, as in the case of the pension insurance, marine insurance, and P&C insurance subsegments, thereby making the health insurance subsegment an independent segment, rather than part of other subsegments. It is also proposed that the health insurance subsegment will include personal accidents insurance and illness and hospitalization insurance; the illness and hospitalization insurance subsegment will include the following subsegments: medical expenses insurance (such as surgical procedures, medication and transplants), long-term care insurance, critical illness insurance, dental insurance, disability insurance, travel insurance and foreign employees insurance. Furthermore, in order to prevent damage to the businesses of insurance agents that currently operate in the market, and who are already allowed to engage in brokering within the health insurance subsegment under the license they hold, it is proposed to determine that those agents will be able to receive insurance brokering license for the health insurance subsegment even without the requirement to undergo a training period or passing exams regarding the health insurance subsegment.

4.194 In September 2022, an Amendment to the **Introduction of Riders and Marketing Thereof** circular was published. The main amendment in the health insurance subsegment was designed to modify the marketing of riders such that it is made in line with the provisions of the health insurance reform. As part of the reform in the health insurance subsegment, insurance riders were included in the fourth tier, and from now on they will be approved as insurance plans for all intents and purposes. Accordingly, this circular prescribes that only the coverage or its share in the rider that were not marketed under the insurance plans shall be considered as riders: consultation and tests; medical diagnosis; home care services, treatment using advanced technologies and medical devices; medical support and treatment during a significant event such as: a surgical procedure, hospitalization, and critical illness.

Set forth below are the key additional changes in the circular: (1) New terms were set regarding the introduction of riders in the health insurance subsegment, which were marketed by private companies that are not supervised by the authority, and which can, among other things, terminate the service at any time; (2) it was prescribed that an

insurance company may request from the Commissioner not to give the recipient of the service the choice of two service providers, where the insurance company presented a position whereby a single service provider may be engaged; (3) a rider that includes coverage for medical conditions without the involvement of an insurance company will be sold separately from the sale of an insurance plan, and after at least three business days have elapsed between the sale of the insurance plan and the sale of the rider.

Further to the above, in February 2023, the **Introduction of Riders and Marketing Thereof - Amendment** circular was published. As part of the amendment, the date on which the amendment to the circular came into force was postponed from February 1, 2023 to May 1, 2023 in view of the postponement of the coming into force of the health insurance reform, as described above.

4.1.95 In September 2022, the circular regarding the "Updating of Tariffs in Renewable Health Insurance Policies" was published, which sets conditions whereby the insurance companies will be allowed to update the premium without first obtaining the Commissioner's approval. For more information, see the chapter dealing with the principal changes in the health insurance subsegment in Section 2.3.1.3 above.

4.1.96 In September 2018, the Commissioner published the **Provisions of the Consolidated Circular - Title 6, Part 3 - Long-Term Care Insurance**, which regulates in a detailed manner the process of settling long-term care insurance claims. In September 2022, the Commissioner published an amendment to the circular, which postpones to December 31, 2023 the commencement date of the section dealing with the insurance companies' engagement with providers of functioning assessments; the commencement date was postponed due to the complex application of the provisions and their further review.

4.1.10 The principal legal frameworks of the asset management - financial services segment

For further details on the legal frameworks of the financial services segment, please see Section 2.5.1.5 of the report.

4.1.11 The principal legal frameworks of the insurance agencies services segment

For further details on the legal frameworks of the financial services segment, please see Section 2.7.7 below.

4.1.12 The principal legal frameworks of the credit area of activity

For further details on the credit area of activity, please see Section 2.6.7 below.

4.2 Entry and Exit Barriers

4.2.1 Entry barriers

4.2.1.1 Insurance, pension funds and provident funds activity

In accordance with the provisions of the law, an entity wishing to engage in insurance (including the holding of pension and provident funds' management companies) is required to obtain an insurer license under the Supervision Law (hereinafter - an **"insurer license"**); the holding of more than five percent of a certain type of means of control in an insurer is conditional upon obtaining a permit from the Commissioner to hold such means of control (hereinafter - a **"holding permit"**), and control in an insurance agency is also conditional upon obtaining a control permit from the Commissioner (hereinafter - a **"control permit"**).

When reviewing requests for insurer licenses, an insurer license, a holding permit and a control permit, the Commissioner takes into account, among other things, a broad range of considerations, including: the applicant's work plans; the suitability of officers' qualifications to their roles; financial means; experience and business background of the entities applying for the license or permit; the competition in the capital market, including the insurance industry and the level of service therein; the Government's economic policy; reinsurance arrangements; the workforce, etc. The Commissioner may set terms and conditions and restrictions in connection with issuing permits including the condition that the insurer has a fixed and stable control core, a prohibition on placing a charge on means of control included in the insurer's control structure, maintaining the framework of the control group, including setting provisions or restrictions on the sale or transfer of means of control to others.

Furthermore, pursuant to Section 32(c1) to the Supervision Law, a material holding in the field of long-term savings is prohibited. A material holding is defined as the holding of a market share of more than 15% of long-term savings assets, as defined in the Supervision Law.

The **Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurance License), 2018** were approved in January 2018; these regulations supersede the Supervision of Financial Services (Insurance) (Minimum Capital Required from Insurer), 1998, and determine the rate of equity required to obtain an insurer license. The purpose of the regulations is, among other things, to reduce entry barriers to the Israeli insurance market and encourage the entry of companies relying on technology and innovation.

It should be noted that, pursuant to the aforesaid regulations, new insurance companies entered the market targeting a broad range of customers wishing to purchase insurance directly; so far, those insurance companies focused on selling motor insurance and travel insurance, mostly through digital means supported, inter alia, by call centers.

In the field of pension savings, the establishment of the default pension funds and the termination of collective agreements between employers and management companies in March 2019 in accordance with the **Circular on Provisions Regarding Selection of Provident Funds**, caused the funds selected as default funds to become more dominant than others. For further details, please see Section 2.4.1.1.2.

Furthermore, pursuant to the Reduction of Concentration Law, restrictions are placed on investment in institutional entities by entities holding significant non-financial holdings. For further details on the Reduction of Concentration Law, please see Section 4.1.1.1.3 above.

4.2.1.2 Permit to hold means of control in institutional entities

In July 2013, the Commissioner and Banking Supervision Department published a joint document dealing with **Guiding Principles for General Criteria and Conditions for Entities Applying for a Permit to Control and Hold Regulated Financial Entities**. In the document, the Commissioner drafted a list of guiding principles that shall constitute the basis for a detailed framework of criteria and conditions for issuing a control permit; the details of this framework may vary according to the types of regulated entity. The considerations taken into account when assessing a permit application relate, among other things, to four principal areas: (1) personal and business honesty and integrity; (2) financial strength; (3) planned investment strategy; (4) the applicant's business experience, area of business of the applicant and the entities in respect of which a permit is requested, and the potential for conflicts of interest in the regulated entity.

Further to said document, in February 2014, the Commissioner published a document dealing with a **Policy for Control in an Institutional Entity (hereinafter - the "Policy Paper")**. The Policy Paper lists the Commissioner's Directives regarding control in an institutional entity and on the filing of an application for a control permit in an institutional entity. The directives pertain to applicants applying for a new control permit; however, they will also apply to holders of an existing control permit, with the necessary modifications to the permit they hold. It should be noted that in the case of joint control, each entity in the controlling shareholders' group is required to obtain a control permit, and therefore, each such entity is required to file a control permit application.

The Policy Paper pertains, among other things, to the following issues: (1) the terms and conditions that pertain to an applicant applying for a joint control permit; (2) the control structure and method of holding means of control in an institutional entity in the case of a non-financial entity, foreign banking corporation and a foreign institutional entity, an entity managing funds, partnership, trust and an institutional entity; (3) the minimum holding rate. In that context, it was determined, among other things, that the required holding rates are as follows: a stake of more than 30% in an institutional entity which is required to maintain a large amount of minimum capital, a stake of more than 40% in an institutional entity which is required to maintain a medium amount of minimum capital, and a stake of more than 50% in an institutional entity which is required to maintain a small amount of minimum capital; (4) the funding of the corporations through which the institutional entity is held; (5) placing of charges on the means of control; (6) the financial strength of the applicant. It should be noted that the Company is an institutional entity which is required to maintain a large amount of minimum capital, and accordingly, the minimum holding rate required of its controlling shareholders is 30%.

Furthermore, in July 2019, the Commissioner published a paper dealing with a **Policy for Issuing - to Entities Managing Customers' Funds - Permits to Hold Means of Control in an Institutional Entity without a Controlling Shareholder**; the paper's objective is the set terms and conditions which an entity managing customers' funds is required to comply with in order to receive a holding permit for holding up to 7.5% of the means of control in an institutional entity without a controlling shareholder. It should be noted that, in accordance of the above, in January 2020, the Company and its controlling shareholders received a permit to hold a stake of up to 7.5% in Clal Insurance Enterprises Holdings Ltd.

4.2.1.3 Licenses and permits received

As stated in Section 4.2.1.1 above, pursuant to the Supervision Law, the holding of more than 5% of an insurer's "**means of control**"¹⁹ is subject to obtaining the Commissioner's permit.

In 2019, as part of the transaction for the acquisition of control in the Company by the funds, the ultimate shareholders of the funds and the funds themselves were given a Control Permit and a Holding Permit in respect of the Company and regulated

corporations under its control, The Phoenix Insurance and The Phoenix Pension and Provident Funds (hereinafter - the "**Control Permit**").

The Control Permit includes various provisions, including: provisions regarding maintaining the control and holding structure in the funds (including in the ultimate managing partner of each of the funds), provisions regarding the holdings and control structure of corporations in the Company's chain of control and Beleneus's holdings in the Company itself; provisions regarding the sale or transfer of means of control between control group members, and sale or transfer of means of control in the Company; provisions regarding the requirement to maintain minimum equity; restrictions regarding the placing of charges on means of control of the Company or companies in the chain of control; various provisions regarding reporting to the Commissioner changes in shareholding in the Company; obligation to supplement capital of The Phoenix Insurance, including provisions regarding the holding in trust of 4.5% of the shares of the Company's control core in order to supplement the equity if The Phoenix Insurance is unable to comply with the equity requirements it is subject to (as shall be applicable from time to time).

It also should be noted that, as part of the transaction for acquisition of control, a permit to hold means of control as collateral in respect of an obligation (hereinafter - the "Charge Permit") was given to the funding entities in the transaction (several Israeli banks and institutional entities); the permit allowed these entities to place a charge on the means of control in the Company, which is held by the funds (through Belenus) and on the means of control in Belenus. The Charge Permit stipulates, among other things, provisions regarding the sale of the pledged means of control and provisions on reporting to the Commissioner.

The Control Permit is updated, from time to time, as required, and in accordance with structural changes resulting from mergers and acquisitions of various companies and operations in the Group's areas of activity supervised by the Capital Market, Insurance and Savings Authority.

For information about the option that the Company's control core will be purchased, please see immediate report dated January 13, 2023 (Ref. No.: 2022-01-150541).

4.2.1.4 Shareholders equity

Insurance companies

A company engaged in insurance activity is required to meet regulatory capital requirements which constitute a significant entry barrier for operating in this field.

For further details about the capital requirements, including the application of a Solvency II-based economic solvency regime, the transitional provisions in connection with full application of the provisions, the restrictions on dividend distribution and the capital adequacy target, please see Section 2.1 to the Report of the Board of Directors.

The management company - The Phoenix Pension and Provident

In 2020, as part of the transfer of The Phoenix Pension and Provident's shares to The Company, the latter has undertaken to supplement, at any given time, The Phoenix Pension and Provident's equity to the amount set in the Provident Fund Regulations.

4.2.1.5 Expertise, knowhow and experience

The Group's insurance and financial services activities require the possession of specific knowhow, mainly in the field of actuarial sciences and risk management; these activities also require familiarity with the relevant markets, including the reinsurance market. Furthermore, gaining experience in this area of activity, accumulating actuarial information and creating an extensive database serve a very important role in the setting prices and underwriting new businesses.

4.2.1.6 Minimum size (economies of scale)

In order to cover the high fixed operational costs required to operate investment and insurance systems, including meeting the range of regulatory requirements in the various areas of activity, actors need to have minimum revenues.

4.2.2 Exit barriers

The principal exit barriers from the Group's various areas of activity are also prescribed by the relevant laws.

4.2.2.1 The insurance, pension funds and provident funds activity

The liquidation or winding-up of an insurer's insurance businesses are regulated by the Commissioner, who may instruct an insurer to act in a certain manner when winding-up businesses, or ask the court to issue an order whereby the liquidation will be carried out by the court or under court supervision. A merger, split, discontinuance of management or voluntary liquidation require obtaining the Commissioner's advance approval. Where an application for issuing orders appointing a receiver or a temporary liquidator was filed in respect of a management company, and such orders were not canceled within the period set in the Provident Funds Law, or if management was not transferred to another management company within the period set in the law, the Commissioner may exercise his powers in an effort to maintain the stability of the provident fund, including by appointing an authorized manager in accordance with the

rules set for insurance companies. In the life insurance and pension businesses and in the property and casualty insurance business, which are long-tail businesses, the discontinuance of activities involves a run-off coverage arrangement in respect of all policyholders and planholders' rights.

The transfer of control in an institutional entity requires the acquired to obtain a control permit; for further details about criteria and general terms and conditions applicable to an entity applying for a permit to control and hold regulated institutional entities, please see Section 4.2.1.2 to the Report.

4222 Financial services

For further details on entry and exit barriers in the financial services segment, please see Section 2.5.1.8 to the Report.

4223 Credit

For further details on key entry and exit barriers in the credit segment, please see Section 2.6.4 to the Report.

4224 Insurance agencies

For further details on key entry and exit barriers in the agencies segment, please see Section 2.7.2 to the Report.

4.3 Critical success factors

4.3.1 General success factors

Success factors common to all of the Group's areas of activity:

1. The economic conditions, employment and interest rates, inflation and the condition of the capital market;
2. Regulation, including supervision of prices;
3. Competition in the area of activity;
4. Customer loyalty and portfolio retention;
5. Quality of investment management;
6. Quality of financial risk management;
7. Distribution channels, including their ability to boost demand and create new markets;
8. The product offering and ability to adapt the products to market conditions and customers' needs;
9. Quality of service to policyholders, planholders and agents;

10. Positioning the Company as a leader in the field, while creating a brand that will enhance its status among competitors;
11. Retaining and acquiring high-quality staff;
12. Technological innovation;
13. Level of IT systems, technology and cyber security;
14. Effectiveness of operations and the level of operating, marketing and selling expenses;
15. Exercising effective controls;
16. Strength and stability.

4.3.2 Unique success factors in the insurance and savings segment and asset management segment - Pension and provident

The following factors may be attributed to these areas of activity:

1. Quality of underwriting;
2. Rate of management fees entities may collect under law and the actual rate collected;
3. Quality of actuarial assumptions applied to pricing and to determining reserves;
4. Incidence and severity of the claims, including catastrophe events;
5. Quality of all aspects of claims management;
6. Protections and cost of reinsurance;
7. Changes in life expectancy;
8. Scope of tax benefits to the customer (in the life insurance and long-term savings segment);
9. Transition to effective digital processes and products;
10. Developments in medical and other technologies, inculcating medical inflation;
11. Changes in the Health Basket;
12. Management of capital and the Company's economic solvency ratio;
13. Quality of management of nostro investments and planholders' investments.

4.3.3 Unique success factors of other areas of activity

For critical success factors in the asset management - financial services area of activity, see Section 2.5.1.7 above.

For critical success factors in the credit area of activity, see Section 2.6.3 above.

For critical success factors in the agencies area of activity, see Section 2.7.2 above.

4.4 Investments²⁰

4.4.1 Investment management

4.4.1.1 Structure of investment management

The Phoenix Investments manages the insurance, pension and provident funds investments of The Phoenix Group, including investments against non-yield-dependent liabilities (funds of planholders and policyholders), yield-dependent liabilities (nostro funds), and the Group's share capital.

The Phoenix Investment House also manages investments for the financial services area of activity, and The Phoenix Advanced Investments manages alternative investments. For further details regarding The Phoenix Investment House, please see Section 2.5 above.

Investment management is carried out jointly for planholders and policyholders of The Phoenix Insurance and The Phoenix Pension and Provident through The Phoenix Investments. In that context, it should be noted that The Phoenix Investments does not manage the investments of IEC Gemel, and accordingly IEC Gemel is not considered part of the "Group of Investors" (as defined in the Investment Rules Regulations) together with The Phoenix Insurance and The Phoenix Pension and Provident with regard to investments in liquid securities.

The management of the investments of planholders and policyholders of The Phoenix Insurance and The Phoenix Pension and Provident is carried out through common committees, including a joint investment committee, a joint internal credit subcommittee, a joint advisory committee for technology investments, and a troubled debt forum.

The investment committee approves the investment policies of the various products, taking into account their specific characteristics. Once a decision has been made by

²⁰ This section relates to the investment management of an insurer, pension fund and provident fund managed by a management company, rather than to investment management within the financial services segment.

the investment committee, the Board of Directors of each of the companies listed above approves the investment policy for the relevant company.

44.1.1.1 The Group's investment management policy

The Group operates in a range of investment areas, including liquid securities, illiquid debt, real estate, investment funds, private equity, etc. The exposure rates in relation to each of the various areas of activity are determined under the investment policies. The investment policies of the nostro portfolio are based, among other things, on the targets of work plans, work assumptions about macroeconomic conditions in Israel and around the world, trends in various markets and investment areas, estimates as to interest rates, foreign currency exchange rates, political and security conditions, unemployment rates, etc. The investment policies are brought for approval before the investment committees (participating and nostro) and the boards of directors of The Phoenix Insurance and The Phoenix Pension and Provident Funds at least once a year. The Company publishes on its website information concerning its investment policies. For further details on the Company's investment policy, please see the Company's website at:

<https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/the-expected-investment-policy/>

Furthermore, the Company publishes on its website information regarding ESG considerations it takes into account as part of the implementation of its investment policies, and the corporate governance criteria that guide its investment committee when making decisions about investment in securities. For further details on the above, please see the Company's website at:

<https://www.fnx.co.il/esg/responsible-investments/>

44.1.1.2 Investment control

The Investment Control Department is a separate unit operating independently of the unit charged with initiating, performing, allocating, and assessing investment assets. The unit reports to the Investment Controller Department, which is part of The Phoenix Insurance's Finance Division, and operates independently of the investment activity. The unit audits the investment activity on an ongoing basis in accordance with the regulations applicable to the Company's investment management activities. Accordingly, the Investment Controller Department is in charge of a range of reports that

the Company is required to issue pursuant to regulatory provisions and internal requirements of the various corporate organs.

44.1.13 Investment management services

Investment management is carried out by The Phoenix Investments. Accordingly, The Phoenix Investments entered into an investment management agreement with each of the Group's companies: The Phoenix Insurance and the Phoenix Pension and Provident Fund. Furthermore, The Phoenix Investments has an management investment agreement in connection with the management of the passive tracks with The Phoenix Investment House and with Excellence Investment Management and Securities Ltd., a subsidiary of The Phoenix Investment House, in connection with the management of investments in respect of the Excellence Invest policies.

Investment management is carried out by investment managers who specialize in the various investment fields. Investments in liquid securities are carried out separately for planholders' funds and nostro funds through dedicated investment managers. Other investments are carried out through investment managers who render services both to management of nostro funds and management of planholders' funds; each investment opportunity is offered simultaneously to both nostro investment manager and to a planholder investment manager, based on a predetermined ratio.

Investment managers are supported by an internal research department, and use reviews and analyses issued by Israeli and foreign banks as well as investment house analysts. Furthermore, the investment managers are supported by other professional departments, such as the Finance Department, Legal Counsel Division, etc.

44.1.14 Self-directed policies (IRA): the investments in respect of self-directed policies and provident funds (IRA) are managed through external investment managers funded by planholders, or directly by the planholders.

44.1.15 Insurance, pension funds and provident funds

The assets of the insurer, the provident funds and pension funds are managed in accordance with and subject to the Investment Regulations, which stipulate, among other things, provisions as to the types of assets they may hold against their liabilities, as well as the characteristics of these assets.

The Group companies, which manage their own investments through The Phoenix Investments, appointed a committee to manage planholders investments for funds under their management (hereinafter - the **"Participating Investment Committee"**). The Participating Investment Committee consists of five members. All committee members are external to The Phoenix group, and do not work for the Group or provide it with services. The Participating Investment Committee convenes at least every two weeks. The Phoenix Insurance also appointed a committee for investment of the insurer's share capital and for investment of funds to cover insurance liabilities, which are non-yield dependent (hereinafter - the **"Nostro Investment Committee"**). The Nostro Investment Committee consists of five members, including two external directors. The Nostro Investment Committee convenes at least once a month.

Furthermore, in the reporting period The Phoenix Insurance has an advisory committee on technology investments; the committee comprises members that have significant technology-related knowhow and experience (hereinafter - the **"Technology Committee"**), and (external) representatives from the participating and nostro investment committees. The Technology Committee has been authorized by the investment committees to advise them on technology-related transactions, through a hierarchy of powers set by the investment committees.

4.4.2 Regulation of credit management

4.4.2.1 Credit risk management

The codex of regulations and the provisions of circulars dealing with management of investment assets include provisions on the management of credit by institutional entities, as follows:

4.4.2.1.1 Credit risk management relating to investment activity

The objective of the guidelines on credit risk management relating to investment activity is to ensure that institutional entities have managerial, professional and operational support as well as adequate control and supervision mechanisms. The circular sets rules and tools for determining a policy for providing credit as part of the overall investment policy set by the Board of Directors; in addition, the circular determines the powers of the investment committees and the credit committee, as well as supervision, control and reporting mechanisms.

Pursuant to the codex of regulations and the relevant circulars, The Phoenix Investments has a illiquid debt function; The Phoenix Insurance and The Phoenix Pension and Provident also have joint committees. The credit policy addresses the following issues, among others: (a) hierarchies of credit transaction authorizations; (b) exposure to credit risks; (c) exposure to borrowers by type of borrower; (d) ensuring the existence of management, supervision and control mechanisms for the management of these risks.

4.4.2.12 Provision of illiquid debt by institutional entities

The Group is engaged in various types of financing, including various types of commercial debt (bonds and illiquid loans), with or without collateral, structured financing including asset-backed bonds, other structured products, financial derivatives and compound assets, deposits, capital notes, and guarantees under the Sale Law and for building projects (solely as part of the nostro activities).

4.4.2.13 Handling troubled debt and debt collection actions taken by institutional entities

Provisions regarding the manner of handling troubled debts and debt collection actions taken by institutional entities aim to ensure that institutional entities will be proactive in collecting debts. Furthermore, the provisions are designed to define a framework for an institutional entity's ongoing monitoring and control of debts under its management, handling of troubled debt and reaching decisions as to the measures taken to collect the debt, its participation in a debt settlement arrangement process and the identity of the functions in charge of these actions. The Troubled Debt Forum is in charge of assessing the status of debts and their classification as troubled and/or other debt. Troubled debts shall be classified in accordance with the following categories: a) debt under special supervision; b) debt in arrears; c) doubtful account. The Troubled Debt Forum is in charge, among other things, of drawing up immediate and periodic reports and participating in all discussions held by competent organs in order to decide the handling of troubled debt, while making recommendations on provisions for debts in accordance with authorization hierarchies. The Internal Credit Committee is in charge of making recommendations as to the manner of handling troubled debts which are adjusted loans. Furthermore, troubled debts are monitored on an ongoing basis, the status of troubled debts is discussed, and a quarterly report is issued to the Board of Directors and its various committees regarding troubled debts and the developments in the debts' status and the handling status.

4.4.3 Breakdown of assets under management

Total assets under management by The Phoenix Group as of the report date amount to NIS 371 billion, of which as of December 31, 2022 and December 31, 2021 The Phoenix Investments manages approximately NIS 265 billion and approximately NIS 253 billion, respectively, as described in the following table:

As of December 31, 2020 (in NIS million)

Managing entity	Mutual funds and ETFs	Nostro (*)	Yield-dependent life insurance (*)	Pension funds	Provident funds and advanced education Funds	Alternative investment funds
The Phoenix Insurance	-	31,300	94,500	-	-	-
The Phoenix Pension	-	-	-	67,200	70,100	-
The Phoenix Investment House	59,730	973	-	-	-	-
The Phoenix Advanced Investments	-	-	-	-	-	6,160
IEC Gemel	-	-	-	-	40,793	-
Other	-	500	-	-	-	-
Total	59,730	32,773	94,500	67,200	110,893	6,160

(*) For further details about the separation between liabilities with respect to insurance contracts and investment contracts, please see Notes 16 and 17 to the Financial Statements.

As of December 31, 2020 (in NIS million)

Institutional entity	Mutual funds and ETFs	Nostro (*)	Yield-dependent life insurance (*)	Pension funds	Provident funds and advanced education Funds	Alternative investment funds
The Phoenix Insurance	-	30,400	96,600	-	-	-
The Phoenix Pension	-	-	-	53,000	72,300	-
The Phoenix Investment House	67,190	889	-	-	-	-
The Phoenix Advanced Investments(**)	-	-	-	-	-	2,840
IEC Gemel	-	-	-	-	45,191	-
Other	-	600	-	-	-	-
Total	67,019	31,889	96,600	53,000	117,491	2,840

(*) For further details about the separation between liabilities with respect to insurance contracts and investment contracts, please see Notes 16 and 17 to the Financial Statements.

(**) The 2021 data are restated such that the assets of the Group's investment funds, which was consolidated with the activity of The Phoenix Investment House, was split and is presented separately.

For further details on the Group's investment in real estate properties or disposal of such properties during the reporting year, please see Note 8 to the Group's Financial Statements.

For further details about the Group's investments, please see also Notes 13, 14 and 41 to the Financial Statements.

Investment income and its effect on the profits of the insurance and management companies

The investment income that offsets insurance reserves and share capital has a material effect on the insurance companies' profits. The extent of the effect on profits depends on the characteristics of the insurance liabilities (nostro, participating) and the terms and conditions of management fees for products against which the relevant reserve is held.

In participating policies issued by December 31, 2003, the return on investments is credited to policyholders, while the insurer is entitled to fixed management fees and to variable management fees from the real return achieved after deducting the fixed management fees. In these products, the financial results of the insurance company are also affected by volatility in the return credited to policyholders in view of the fact that the variable management fees are collected from the real return achieved after deducting the fixed management fees. For further details about the weighted returns in participating policies, please see also Section 5 to the Report of the Board of Directors. For information about management fees in this instrument, see Section 2.1.1.1.2 above.

In participating policies issued since 2004, the return on investments is credited to policyholders while the insurer is only entitled to fixed management fees. In these products, the effect of the investment results on the insurance company's profits is reduced to the effect derived from total assets under management, on which the insurer's fixed management fees are based.

In pension and provident funds, the return on investment net of the management fees on accruals, net of discounts, is credited to the planholders; therefore, the effect of investment performance on the profits of the pension or provident fund's management company is limited to the effect derived from the total assets under management by the pension or provident fund, on which the management fees collected by the pension or provident fund's management company are based. Furthermore, in connection with a yield-guaranteed provident fund, the profits of the management company may be eroded if the provident fund did not achieve the guaranteed yield.

In life insurance policies which are not yield-dependent (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance and in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. Therefore, changes in capital markets, interest rates, the consumer price index and foreign currency exchange rates may have a material effect on the Group's financial performance, especially due to the sizable reserves managed by the Group. For further details, please see Note 41 to the Financial Statements.

A substantial part of the Group's asset portfolio is invested in liquid securities traded in the capital market. Therefore, returns in various investment channels in the capital market have a material effect both on the returns achieved for the Group's customers and on the Group's earnings. For further details on this matter, please see also Section 5 to the Report of the Board of Directors.

4.4.4 Material investments in investees

In addition to the institutional entities held by the Group, it also holds other investments, the principal of which as of the report date are: A stake in the Phoenix Agencies, which is held by the Company (for information about the change in the Company's stake in the Phoenix Agencies, see Section 2.7 above); an 88.44% stake in The Phoenix Investment House, through The Phoenix Investments; a 61% stake in Gama's issued and paid up share capital and voting rights, and the controlling shareholder thereof through The Phoenix Investments, and a 67% stake in the issued and paid up share capital of Phoenixclass Ltd. (comprised from a 49% holdings of The Phoenix Insurance and an 18% holding of The Phoenix Investments in respect of equity rights only). For further details regarding the holding in Phoenixclass, please see Section 4.4.4.3 below.

As of December 31, 2022, the Group's investment in associates totals approximately NIS 1,594 million, including shareholders' loans. For further details, please see Note 8 to the Financial Statements.

Set forth below is a general summary description of the Company's material subsidiaries and affiliates, the activities of which were not included in the description of the areas of activity and/or other sections in this chapter.

444.1 The coordination of the financing to construction projects activity in a separate company wholly-owned by The Phoenix Insurance

As from January 1, 2023, the financing to construction projects activity, which is conducted using only nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Financing Ltd. (hereinafter - **"The Phoenix Construction Financing"**). In this framework, the total amount of The Phoenix Insurance's credit portfolio was transferred to The Phoenix Construction Financing Ltd. It should be noted that all exposure limits and regulatory provisions shall continue to apply in relation to the Phoenix Construction Financing, and that the Company's policy and procedures, as approved by the organs of The Phoenix Insurance shall continue to apply to the Phoenix Construction Financing, mutatis mutandis.

444.2 Haphen-Tao Holdings Limited Partnership

The Company held - through The Phoenix Insurance and The Phoenix Investments - 50% of the interests in Haphen-Tao Holdings Limited Partnership (hereinafter - the **"Partnership"**), which held a 25% indirect share in the rights and liabilities in the Mall Hayam shopping center in Eilat. In the reporting year, the sale of the entire rights in the shopping center (together with the other owners) to the Azrieli Group was completed in consideration for NIS 1.31 billion (100%).

444.3 Phoeniclass Ltd. ("Phoeniclass")

Phoeniclass and the Kibbutzim College of Education (hereinafter - the **"Kibbutzim College"**) entered into a combination transaction agreement in respect of a land plot in north Tel Aviv, owned by Kibbutzim College, including the land on which the Kibbutzim College's existing buildings are situated. As part of the transaction, and in exchange for the rights to built 450 residential units on the land plot, Phoeniclass will execute the residential project, transfer to the Kibbutzim College some of the sales proceeds, which will be used to fund a new complex for the College, and will bear some of the cost of building public spaces that will be handed over to the Tel Aviv municipality for commercial and public use (hereinafter - the **"Project"**). Phoeniclass is working to promote the licensing and planning procedures for the Project, while negotiating with the Kibbutzim College (and its representatives) to finalize the transaction's principles and execution. As part of the steps taken to promote the licensing procedures, in September 2022 the local planning committee approved an application for a building permit in respect of the first residential high-rise.

The Phoenix Insurance, The Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

4444 Ad 120 Residence Centers for Senior Citizens Ltd.

The Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**"). "Ad 120" develops, builds and manages high-end senior housing facilities. It is noted that the Company continues to classify its holdings in Ad 120 against life insurance, savings and health liabilities.

4445 The Phoenix Mortgages (Gold)

The Phoenix Insurance (through The Phoenix Insurance) has a 51% stake in The Phoenix Mortgages (Gold) Ltd. (hereinafter - "**The Phoenix Mortgages**"), whose activity focuses on granting loans to people over 60 against a first lien on their apartment. Furthermore, in the reporting year, The Capital Market, Insurance and Savings Authority awarded The Phoenix Mortgages a permit to give any type of mortgage.

4446 Frequent Flyer Club

On June 23, 2022, a binding agreement was signed for extending a USD 130 million loan by The Phoenix Insurance to El Al Frequent Flyer Ltd. (hereinafter - the "**Borrower**") through the nostro funds. The loan shall be advanced for a period ending June 30, 2028 (hereinafter - the "**Loan Term**"). For further details, please see the Bank's immediate report dated June 23, 2022 (Ref. No.: 2022-01-077968). On September 22, 2022, The Phoenix sold USD 18.5 million out of the loan balance to an unrelated third party.

Furthermore, under the agreement, The Phoenix was awarded the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the Loan Term, subject to additional terms and conditions for an additional year. On September 13, 2022, The Phoenix Insurance announced partial exercise of the option at a rate of 19.9% of the Borrower's shares. For further details, please see the Bank's immediate report dated September 13, 2022 (Ref. No.: 2022-01-094686).

4.4.5 Developments in the macroeconomic environment

Set forth below is a summary description of trends, events and developments in the Group's macroeconomic environment, that have or are expected to have an effect on the Group.

Financial markets in Israel

In October 2022, the Bank of Israel estimated that in 2022 the Israeli economy will grow by 6%, bearing in mind that the growth as of the third quarter was 1.9%. Through mid-2022, the

unemployment rate decreased from 4.1% to 3.3% and was reflected in acute shortage of workers, which led to significant pay rises. In the second half of the year, the decline in unemployment stopped, and unemployment even started to increase, reaching a level of 3.9% in November. The tightening in the Israeli labor market, together with increased demand that was reflected in the strong growth data as stated above, increased the inflationary pressures throughout the year, with inflation reaching a peak of 5.3% in November. Like its counterparts across the world, the Bank of Israel responded to the inflationary pressures by tightening its monetary policy, including through a sharp interest rate hike, prior to which the interest rate in February was 0.1%; the first hikes were at the rate of 0.25%; this peaked with a hike of 0.75%, and decreased to 0.50% in November, with interest rate reaching a level of 3.25% in December. Even after these hikes, the Bank of Israel's guidance included further hikes and interest rates remaining high over a long period; this contributed to the increase of yields on bonds in long tenor of the curve, and to capital losses in the financial markets. Despite the increase in interest rates, prices in real estate market increased sharply throughout the year; price increases peaked in November, reaching an annual increase of 20.3%. The slumps in the capital markets were particularly marked in technology companies, and probably also contributed to the weakening of the shekel. In terms of the political arena, the 25th Knesset (Israeli parliament) was elected on November 1, 2022, following which a right-wing government was elected.

The TA 125 Index recorded a 3.8% decrease in the fourth quarter, leading to an annual decrease of 11.8% in 2022. The 10-year yield on government bonds increased to 3.53%. The Tel-Bond 60 Index declined by 1.1% in the fourth quarter, leading to an annual decrease of 8.9%. The shekel started strengthening against the dollar, reaching a level of NIS 3.51 per one dollar; however, the shekel devalued against the euro, reaching a level of NIS 3.76 per one euro.

Events subsequent to the balance sheet date (until March 21, 2023)

The Bank of Israel revised upwards its growth forecast for 2022 from 6.0% to 6.3%; however, the Bank of Israel revised downwards its growth forecast for 2023 from 3.0% to 2.8%. The unemployment rate in Israel continued to increase, reaching a level of 4.2%. In January, inflation rates increased to 5.4%, which exceeded the inflation cooling forecast of 5.2%; however, according to the forecasts of the Bank of Israel and the market forecast, inflation will cool sharply during 2023 back to around the ceiling of the inflation target (3.0%). In January, the Bank of Israel increased its interest rate to 3.75%, and in February the interest rate increased to 4.25%, and the Bank of Israel's guidance was that the interest rate will increase beyond that level. In the political arena, the introduction of a reform in the legal system led to public unrest and warnings from credit rating agencies. Israel's debt risk premium (CDS) increased slightly, but remained relatively low, also thanks to data regarding a sharp decline in the debt-to-GDP ratio to approx. 60%. The Israeli capital market recorded significant underperformance compared with other capital markets across the world, and the shekel was particularly weak.

The TA 125 Index decreased by 4.2%, the yield on 10-year government bond increased to 3.88%, the Tel-Bond 60 Index decreased slightly (by 0.1%), and the shekel was devalued against the dollar and the euro, reaching a level of NIS 3.66 per one dollar, and NIS 3.94 per one euro.

Capital markets abroad

According to Bloomberg's average forecasts, the US economy grew by 1.9% in 2022. This was despite the fact the US economy contracted by 1.6% and 0.6% in the first two quarters of the year (respectively, in annual terms), and grew by 3.2% in the third quarter. In the Eurozone, the economy stagnated in the first three quarters, with a growth of 0.3% in the third quarter (in quarterly terms); it is expected that annual growth in 2022 will reach 3.3%. The performance of the Chinese economy was particularly bad; according to estimates, growth rates slowed down to 3.0% in the wake of the continued spread of the Covid-19 virus in the country, and a very strict "Zero Covid" policy. The International Monetary Fund continued to revise the 2023 global growth forecast downwards, from 2.9% to 2.7%. The global labor market continued to be strong; unemployment in Europe is relatively low (6.5% in November), and in the USA unemployment stands at 3.7%. In the US, inflation increased in the first half of the year, reaching a peak of 9.1% in June; it declined since, reaching 7.1% in November. Inflation in the USA is forecast to cool sharply. In Europe inflation rates continued to increase, reaching 10.6% in October, with key drivers being energy prices (and specifically electricity), in view of disruption to supply from Russia in the wake of the Russian invasion to Russia at the beginning of the year. However, in November inflation rates in Europe started to decline, reaching 9.2%; this was also due to indications that the winter will be relatively warm; this, according to markets, outlines the beginning of a cooling process in inflation rates. The warm economic climate pushed central banks in the USA and in Europe to increase interest rates aggressively, with rates being hiked by as much as 0.75%. The sharp interest rates hikes, the severe slowdown in China, and the concerns about a recession in 2023 led to slumps in all investment assets, including, as some stage, in real estate prices in the USA. However, in its interest rate decision of December 2022, the Federal Reserve started capping interest rate hikes at 0.50%, and interest rates reached 4.50%; according to market estimates, interest rates hikes will stop in the first half of 2023 with the interest rate standing at 5.00%; in China it was expected during the fourth quarter that most Covid-19 restrictions will be lifted, and the concern about a recession in Europe started to cool, which made it easier for capital markets to rally.

The yield on 10-year bonds increased throughout the year and the fourth quarter, reaching a level of 3.9% at year-end. The S&P 500 index increased by 7% in the fourth quarter of 2022; but in annual terms, it declined by 19.4%. The EURO-STOXX index increased by 14% in the fourth quarter of 2022; but in annual terms, it declined by 11.7%. In the fourth quarter, the euro strengthened by 9% against the dollar, reaching a rate of EUR 3.07 per one dollar.

Events subsequent to the balance sheet date (until March 21, 2023)

At the beginning of the period, there was renewed optimism regarding the economy and the markets in the wake of China progressing swiftly in the direction of lifting the Covid-19 restrictions, together with a warmer than usual winter in Europe, that alleviated concerns about an energy crisis, and a quicker than usual cooling of inflation in the USA to an annual rate of 6.0% - all of which triggered a decline in yield, and calmed concerns about a recession in the USA and Europe in 2023, which, in turn, were reflected in revision upwards of growth forecasts for 2023 - including the forecasts of the International Monetary Fund. The current data from world economies were surprisingly good; among those were US labor market that showed a decline in unemployment in December from 3.7% to 3.5%, strong retail sales data in January and the reported results of the ISM surveys of non-manufacturing (or services) firms' purchasing and supply executives. The strong data led to expectations of sharper interest rates hikes in the first half of the year in the USA, with rates expected to reach 5.4%; this was supported by estimates provided by the Mr. Powell, the Chairman of the Board of Governors of the Federal Reserve, in his testimony to US Senate and Congress committees at the beginning of March. On March 10, SVB experienced a "run on the bank", which led to its collapse; this triggered chain reactions that damaged other banks. The US regulator launched a plan to shore-up deposits, but struggled to stop the panic, which reached to the large banks, primarily to Credit Swiss, within a matter of days. The panic subsided to some extent with UBS' announcement of the acquisition of Credit Swiss. Equity marks slumped sharply, bond yields crushed and started reflecting dramatic interest rate cuts in 2023 (four cuts of 0.25% each).

The yield on 10-year bonds in the USA increased to 3.58%, the S&P 500 index increased by 4.3%, the EURO-STOXX 50 index increased by 10.2%, the euro strengthened slightly against the dollar with an exchange rate of 1.08.

4.5 Reinsurance

4.5.1 General

Israeli insurance companies normally cover a substantial proportion of the insurance risk they assume by entering into engagements with reinsurers. The maximum amount of risk retained by an insurer after transferring some of the risk to the reinsurer is called "retention". Reinsurance has several advantages:

1. It allows insurance companies to diversify the risks to which they are exposed;
2. It allows insurance companies to improve their ability to assume additional risks and at higher insurance amounts;

3. It allows insurance companies to enhance their ability to protect their share capital from exceptional events (catastrophe events, including multiple natural disasters: earthquake, fire, etc.), and to manage it optimally.

Despite the above, reinsurance agreements do not prejudice the contractual rights of policyholders, nor do they exempt insurance companies from their obligations towards policyholders. Therefore, the stability of reinsurers impacts insurance companies. Furthermore, the terms of engagement with reinsurers impact the profitability of insurance companies. It should be noted that settling accounts with reinsurers may take many years.

There are two types of reinsurance:

Contractual reinsurance is drafted as part of a reinsurance treaty, which is signed every year between the insurance company and the reinsurer; in this type of reinsurance, the reinsurer assumes all risks or businesses to be transferred to it by the ceding insurer, under the agreed terms and conditions, without the need to approve each and every risk or business.

Reinsurance comprises proportional reinsurance and non-proportional reinsurance. The difference between the two types of reinsurance is reflected in the type of relationship between the assumption of risk (the coverage of a claim) and the premium; in proportional reinsurance, the share of the risk assumed by the reinsurer is generally identical in proportion to the reinsurer's share in the premium, whereas in non-proportional insurance - the risk assumed by the reinsurer is not directly proportional to its share in the premium. Thus, for example, in a proportional reinsurance contract where the reinsurer undertakes to pay 75% of each claim in the property subsegment, that reinsurer will also receive 75% of the premium in respect of the subsegment (excluding the fees component), whereas in a non-proportional reinsurance contract, where the reinsurer's share of each claim in the compulsory motor subsegment shall be the portion above USD 100 thousand and below USD 1 million, that reinsurer's share in the premium will be a fixed and predetermined percentage of all premiums or exposure in the subsegment, or a predetermined premium amount.

A. Proportional reinsurance

Quota share reinsurance contract: the reinsurer undertakes a fixed percentage of coverage of each claim in a specific subsegment against an identical fixed proportion of the premium.

Surplus reinsurance contract: the reinsurer undertakes a variable percentage of coverage of each claim up to an agreed cap against an identical proportion of the premium.

B. Non-proportional reinsurance

Excess of loss contract: this is insurance for an individual claim, whereby the ceding insurer agrees to absorb all aggregate losses up to a predetermined retention amount, and the reinsurer agrees to absorb the excess losses above the predetermined retention amount (mostly up to the predetermined limit) against a predetermined proportion of all premiums in that subsegment or

a predetermined premium amount. One of the contracts that fall under this category of non-proportional reinsurance contracts is the contract protecting against catastrophes.

Stop loss contract: the reinsurer indemnifies the ceding insurer to the extent that the percentage or total amount of losses in a certain subsegment over a certain period (usually a year) exceeds a predetermined percentage or total amount, in return for a predetermined percentage of all premiums in this subsegment.

Facultative reinsurance is taken out to cover risks arising from specific policies. Facultative reinsurance shall apply in one of the following cases: (1) when the insurance amount exceeds the reinsurance capacity; or (2) the risk or area of activity is excluded from the contract with the reinsurer; or (3) when it is estimated that the business is relatively risky. In facultative reinsurance, the reinsurer decides separately and in advance for each risk or area of activity whether it wishes to share the risk and at what percentage.

Generally, the rate of reinsurance in the life insurance subsegment is significantly lower than the rate of reinsurance in property and casualty insurance. This is due to the fact that most of the premium in life insurance is in respect of a savings component, which is not reinsured. Furthermore, in life insurance there is more reliable statistics as to the risks. The scope of reinsurance purchased also varies among property and casualty subsegments; in the case of subsegments with homogeneous risk, where the level of risk is highly diversified within the portfolio (such as in the motor subsegment - compulsory and property), there is a lower level of reinsurance, whereas in more heterogeneous subsegments, with lower risk diversification levels and higher risk (such as in other property insurance), a higher rate of reinsurance is undertaken.

4.5.2 The reinsurers market and the manner of engagement with reinsurers

The market of reinsurers which have ratings which are relevant for The Phoenix Insurance (reinsurers with a financial rating higher than A-), comprises more than 200 insurers. The Phoenix Insurance works continuously with approximately 90 reinsurers. The reinsurers' capacity depends mainly on the materialization of insurance risks, which they assumed during the past few years. Thus, for example, the occurrence of catastrophes around the world causes a decrease in reinsurers' capacity.

A potential deterioration in the condition of the reinsurance market may have a number of consequences: firstly, an insurance company that entered into reinsurance contract is directly exposed to the reinsurer's ability to meet its obligations upon the occurrence of an insurance event; secondly, a decline in the strength of a reinsurer may cause the insurance company to seek replacing it with another reinsurer, which will involve further costs in connection with the original reinsurance and a risk that the original coverage terms will not be achieved; this will also require the recording of an accounting loss, since there is a concern that the reinsurer will not meet its obligations; thirdly, a deterioration in the condition of the reinsurance market may reduce the capacity of reinsurers, in a

way that impairs the insurance company's ability to offer coverage in the ordinary course of its business; this may also lead to an increase in reinsurance prices and to other changes in the terms of engagement with the reinsurer, in a way that will lead to additional costs or impair the quality of the insurance coverage. In addition to the above, if an insurance company does not have access to reinsurance at the required scope, it may lead to its failing to meet the regulatory capital requirements it is subject to.

The term of reinsurance engagements in property and casualty insurance is usually one year. The term of reinsurance engagements in life, health and long-term care insurance is usually the entire life of the policies issued within a defined period.

Reinsurance prices are affected by factors such as the quality of the insurance portfolio (past performance of the insurance portfolio); relevant events in Israel and globally, the interest rate and the condition of capital markets worldwide.

In reinsurance, the ceding insurer pays reinsurers a premium, while reinsurers reimburse the ceding insurer in respect of claims, and pays it fees, mainly in respect of proportional reinsurance contracts.

The fees paid by reinsurers normally constitute a percentage of the premium transferred to reinsurers; in some cases, this rate is determined in advance (regardless of the results achieved), in other cases - the rate depends on the underwriting results of the ceded businesses. The fee amount may vary during the engagement period.

Sometimes, The Phoenix Insurance receives - in addition to the basic fee - a profit fee payable as a percentage of the underwriting earnings in respect of the relevant risk (i.e., premium net of claims, reinsurer's expenses and fees).²¹

The renewals for 2023 were characterized with an increase in reinsurance prices in Israel and across the world. The economic and geopolitical conditions and natural disasters across the world (mainly hurricane Ian in the USA and extensive flooding in Europe (Belgium, Holland and Germany), alongside interest rate hikes and the exit of a number of reinsurers from the property insurance subsegment reduced the supply in the reinsurance market. On the other hand, the economic growth in the Israel, alongside the increase in the prices of the assets, increased demand for reinsurance. The result was an increase in reinsurance prices.

4.5.3 Description of the policy of exposure to reinsurers

General

The Capital Market, Insurance and Savings Authority Commissioner's Circular titled Management of Exposure to Reinsurers, published in 2003 sets out, among other things, provisions and guidelines on

²¹ In facultative reinsurance, there are normally no profit fees.

how to manage exposure to reinsurers, including a requirement for setting policies and exposure caps for reinsurers, as well as provisions on reporting to the Commissioner.

At least once a year, an insurer's board of directors is required to discuss its policy on exposure to reinsurers, and the insurer's assessments of the management of, and controls over, the exposure; the board is also required to set exposure limits to a single reinsurer and to a group of affiliated reinsurers. The Board of Directors will hold such a discussion after assessing the quality of the insurer's existing tools for management of, and controls over, exposure to reinsurers.

The policy of exposure to reinsurers must include, among other things, a policy for exposure to reinsurers in the life, property and casualty, and health insurance subsegments, as well as setting a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors. Such parameters may be qualitative in nature, such as the reinsurer's international rating.

There are two types of exposures to reinsurers:

- a. Exposure to outstanding balances, and exposure to the risk that the reinsurer fail to meet its existing and future obligations. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market, as well as fulfillment of its financial obligations.
- b. Exposure to a single sizable loss or an accumulation of losses due to a large-scale event. The accumulated losses are estimated based on the maximum probable loss (MPL).

The Phoenix Insurance purchases reinsurance as part of the implementation of its risk management policy. The purchase of reinsurance is carried out in policies or subsegments in which the Company believes that it will be more efficient to cede some or all of the risk.

Internal actuarial assessments, various models and past claims experience provide The Phoenix Insurance with an indication as to the estimated level of reinsurance required.

In accordance with a policy set by the Board of Directors, The Phoenix Insurance contracts reinsurers rated A- or higher, which are rated by one of four ratings agencies – Fitch, AM Best, Standard & Poor's and Moody's (in the short-tail subsegments, the Company may contract reinsurers rated BBB+ at a rate that shall not exceed 10% of the total exposure). Pursuant to a clarification published in 2012 by the Commissioner regarding the calculation of capital requirements of insurance companies, which addresses, among other things, the manner in which the rating of a reinsurer is determined for the purpose of calculating the capital requirements regarding reinsurers, the external rating to be taken into account for the capital requirement will be that of a rating agency that shall be selected in advance by each company (hereinafter - the "**default agency**"). If the default agency has no relevant rating, then the lowest rating will be used from among the rating agencies approved by the Commissioner. During that year, the Company's Board of Directors approved Standard & Poor's as its "default agency".

As a rule, The Phoenix Insurance aims to contract with numerous reinsurers, in order to avoid a situation where it is dependent on a specific reinsurer, and in order to diversify the risks appropriately. In many of its reinsurance contracts, The Phoenix Insurance requires that a downgrade clause be included, allowing it to terminate the contract if the reinsurer's rating is downgraded below a predetermined rating.

As part of the policy regarding the management of The Phoenix Insurance's exposure to reinsurers, the Board of Directors of The Phoenix Insurance set exposure limits for reinsurers, both in relation to the open balances and in relation to exposure to earthquake at rates of The Phoenix Insurance's capital according to the reinsurer's rating.

4.5.4 Life insurance

The Phoenix Insurance enters into quota share and surplus proportional reinsurance agreements with various reinsurers in order to protect itself against the risk in the life insurance portfolio (but not the savings component). Previously, modified financial reinsurance agreements (hereinafter - **"Mod-Re"**) were also drawn up in respect of policies that included a savings component. Several large collective insurance policies have a proportional reinsurance agreement.

The Phoenix Insurance's reinsurance agreements in respect of life insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee composed of two components: a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

Following are reinsurers that account for more than 10% of total reinsurance premiums in the life insurance and long-term savings segment:

Reinsurer	Reinsurance premium (in NIS million)	2022 % of total reinsurance premium	Rated by S&P (as of Dec. 31, 2021)
Swiss Re	46	16%	AA-
Gen Re	27	10%	AA+
*Munich Re	173	61%	AA-

Reinsurer	Reinsurance premium (in NIS million)	2021 % of total reinsurance premium	Rated by S&P (as of Dec. 31, 2021)
Swiss Re	43	36%	AA-
Gen Re	25	21%	AA+
Munich Re	13	11%	AA-

*The increase in premiums compared with 2021 stems from a new reinsurance agreement.

Following are ratings of reinsurers in the life insurance and long-term savings segment:

Rated by S&P*	No. of reinsurers in 2022	No. of reinsurers in 2021
Rated AA and above	2	3
Rated A to AA (not included)	9	9
Rated A-	1	0
Rated +BBB**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch. For further details about the Group's investments, please see also Notes 17, 18 and 41 to the Financial Statements.

** This relates to a reinsurer whose rating was downgraded below (A-) in 2021.

Catastrophe contract

In 2022 (as in previous years), the Company purchased a non-proportional reinsurance contract, to cover the risk of bodily injury, death and disability resulting from a catastrophe event. The contract purchased is an excess-of-loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. For further details, please see Note 41 to the Company's Financial Statements.

Reinsurance agreement - mass lapse scenario in the life and health insurance subsegments

The Phoenix insurance has in place a mass lapse reinsurance agreement, the objective of which is to provide The Phoenix Insurance with partial protection against a mass lapse scenario in its life and health insurance subsegments as part of the Economic Solvency Regime.

Reinsurance agreement - proportional reinsurance for permanent health insurance products

The Phoenix Insurance has a proportional reinsurance agreement involving an existing portfolio of permanent health insurance businesses, with a reinsurer rated AA- by an international rating agency.

Reinsurance Treaty for the Supplementary Pension Fund -

As from January 2023, The Phoenix Insurance has in place reinsurance for planholders of the Supplementary Pension Fund at the rate of 90%. The agreement protects planholders covered with disability and survivors insurance. The agreement is renewed every calendar year. The Phoenix Insurance included this coverage in the catastrophe agreement in life insurance for 2023.

4.5.5 Health insurance

The Phoenix Insurance enters into quota share proportional reinsurance agreements with various reinsurers to protect itself against some of the risk components in its health insurance portfolio. A number of large collective insurance policies have a proportional reinsurance agreement in respect of some of the coverage components.

Reinsurance agreements in respect of health insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay The Phoenix Insurance a fee that may be composed of two components (and varies in accordance with the terms and conditions of the various agreements): a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

The rating of reinsurers that account for more than 10% of total reinsurance premiums in the health insurance area of activity:

Reinsurer	Reinsurance premium (in NIS million)	2022	
		% of total reinsurance premium	Rated by S&P* (As of December 31, 2022)
Swiss Re	116	52%	AA-
Gen Re	27	12%	AA+
CCR	27	12%	A-

Reinsurer	Reinsurance premium (in NIS million)	2021	
		% of total reinsurance premium	Rated by S&P* (As of December 31, 2021)
Swiss Re	104	49%	AA-
Gen Re	34	16%	AA+
CCR	25	12%	A

Reinsurers in the health insurance subsegment:

Rated by S&P*	No. of reinsurers in 2022	No. of reinsurers in 2021
Rated AA and above	2	2
Rated A to AA (not included)	8	9
Rated A-	2	1
Rated +BBB**	1	1

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

For further details about payments to reinsurers and further details, please see also Notes 17, 18 and 41 to the Company's Financial Statements.

** This relates to a reinsurer whose rating was downgraded below (A-) in 2021.

4.5.6 Property and casualty insurance

Compulsory motor insurance

The Phoenix Insurance's liabilities in the compulsory motor insurance subsegment are backed by an "excess-of-loss" reinsurance contract. As a result of the said arrangement, the exposure per claim or per event is limited. As is normally acceptable in contracts of this type, the Company does not collect fees and commissions from reinsurers. In addition to the existing agreement, the Company entered into quota share agreements with several reinsurers. These agreements were also renewed for 2023; the quota agreement was renewed at a lower rate.

For further details about payments to reinsurers and other data, please see also Notes 17, 18 and 41 to the Company's financial statements.

Motor property

Motor property insurance is characterized by a high level of risk spread, and a relatively homogeneous risk. As a result, the reinsurance rate in this subsegment is low, and only catastrophic damages such as earthquakes, fires and natural disasters are covered. For further details about payments to reinsurers and other data, please see also Notes 17, 18 and 41 to the Company's financial statements.

Other property and casualty insurance

The Phoenix Insurance enters into reinsurance contracts in the property and casualty insurance subsegment on an annual basis. The Phoenix Insurance purchases reinsurance for most of the subsegments in which it operates: fire, property, engineering (including contractors), terrorism, personal accidents and liability, including directors and officers' liability, cyber and marine insurance. For further details about reinsurance, and for details about the various types of coverages generally accepted in reinsurance, please see Notes 17, 18 and 41 to the Financial Statements.

Property subsegments

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus. Large businesses are reinsured under facultative contracts. Proportional insurance contracts provide protection up to a maximum amount for a catastrophe event, which varies among the various reinsurers. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. In the home insurance subsegment, in addition to the existing contract, there is also a quota share contract.

Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus treaty. In respect of the self-retention portion, The Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. The excess of loss amount covering catastrophe events, which applies to the self-retention portion in property, commercial or industrial, home and engineering insurance, is determined as a percentage of the cumulative self-retention amounts based on generally accepted actuarial models.

Earthquake coverage

In 2022, reinsurers' estimated exposure to earthquake under proportional reinsurance on the basis of MPL of 2% amounted to approximately USD 2.75 billion. The Phoenix Insurance's self-retention aggregate exposure, as derived from and measured according to its proportional reinsurance agreements, was approximately USD 14.45 billion as of the end of 2022. In order to hedge this exposure, non-proportional protection of 2.0% of the accumulated retention exposure was purchased,

which represents expected damage as a result of an earthquake with an incidence of more than once every 500 years. In the Company's opinion, following the purchase of protection, the maximum amount The Phoenix Insurance would have borne upon the occurrence of a catastrophe event, under 2% MPL, is approximately USD 20.5 million for property insurance.

There are no reinsurers the total exposure of which to earthquake exceeds 10%. For further details about reinsurance, including reinsurers' balances, please see Notes 10, 24 and 40 to the Financial Statements.

Terrorism

Protected by an excess of loss insurance contract, which applies to amounts in excess of a fixed self-retention amount. There is also a cap per insurance event.

Liability subsegments

Liabilities: includes employers' liability, third party liability, product liability and professional liability. The protective insurance contract is an excess of loss contract in respect of amounts in excess of the self-retention amount, with caps per risk and per event. Since 2021, a quota share contract was taken out in addition to the existing contract.

Directors and officers' liability: this subsegment is protected under an excess of loss contract in respect of amounts in excess of the self-retention amount, with a cap in place per policy. In 2021, a separate quota share agreement was put in place for the finance subsegment.

Various subsegments

Personal accidents: There is protection against the risk arising from aggregate losses under the catastrophe agreement.

Marine and cargo: protected under a combined proportional insurance contract, quota share and surplus, with a cap per delivery, in combination with a non-proportional reinsurance contract for aggregate retained losses in the cargo subsegment.

Ship hull, yachts and third party: protected by a proportional quota contract with a cap per covered vessel.

Cyber: Protected under a quota contract with ceilings for single loss and annual accumulated losses.

General

Total insurance premiums in the other property and casualty insurance subsegment stemming from insurance policies for which reinsurance coverage in excess of 90% was purchased in 2021 is approximately NIS 720 million (gross) and NIS 12.7 million (retention).

Property and casualty insurance: no reinsurer accounts for more than 10% of total reinsurance premiums in 2022 and 2021.

Rating of reinsurers in property and casualty insurance:

Rated by S&P*	No. of reinsurers in 2022	No. of reinsurers in 2020
Rated AA and above	12	10
Rated A to AA (not included)	100	101
Rated A-	27	23
Rated +BBB	3	4
Not rated	12	11
Total	154	149

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

Set forth below is a summary of reinsurance premiums and results by subsegment (in NIS millions):

Property and casualty insurance

	2022	2021	2020
Reinsurance premiums -			
Compulsory motor insurance	139	271	288
Motor property	-	2	-
Other property and casualty insurance -			
Other property subsegments (for further details, please see below*)	602	507	525
Other liability subsegments	312	263	165
Other subsegments	9	5	3
Total reinsurance premiums	1,062	1,048	981
Profit (loss) results²² -			
Compulsory motor insurance	24	(122)	(55)
Motor property	-	-	-
Other property and casualty insurance -			
Other property subsegments	218	198	172
Other liability subsegments	1	66	69
Other subsegments	4	3	-
Total reinsurance income for the year	247	145	186

*Reinsurance premiums Property subsegments	2022	2021	2020
Proportional	416	334	365
Non-proportional	2	2	1
Earthquake (1)	184	171	159
Total reinsurance premiums in the property subsegments	602	507	525

(1) The premium includes all types of reinsurance arrangements for covering catastrophe risks (proportional reinsurance, facultative reinsurance, and excess reinsurance to cover the aggregate retention).

The decrease in premiums in the compulsory motor insurance subsegment over the years stems from a change in the volume of quota share reinsurance contract.

The changes in reinsurance premiums in other property subsegments stem mainly from a change in the renewal dates of a large policy, in which the insurance coverage period exceeds one year in the property loss insurance subsegment and from growth in the portfolio.

²² The data relate to results of agreements with reinsurers.

The increase in reinsurance premium in other liability subsegments in 2022 and 2021, compared with 2020, stems from an increase in the portfolio and from new quota share agreements drawn up as from 2021.

In the compulsory motor insurance the loss attributed to reinsurance is an accounting loss arising from a provision to reserves in accordance with actuarial rules applicable to gross reserves. It should be noted that the actual result of the agreement may be materially different and will depend on the future development of claims. The attributed profit in compulsory motor insurance in 2022 stems from positive revisions to the actuarial model in respect of previous years. The increase in losses in compulsory motor insurance in 2021 stemmed, among other things, from negative revisions to the actuarial model.

In the property subsegments, the continued increase in reinsurers' profits stems from improvement in most property subsegments.

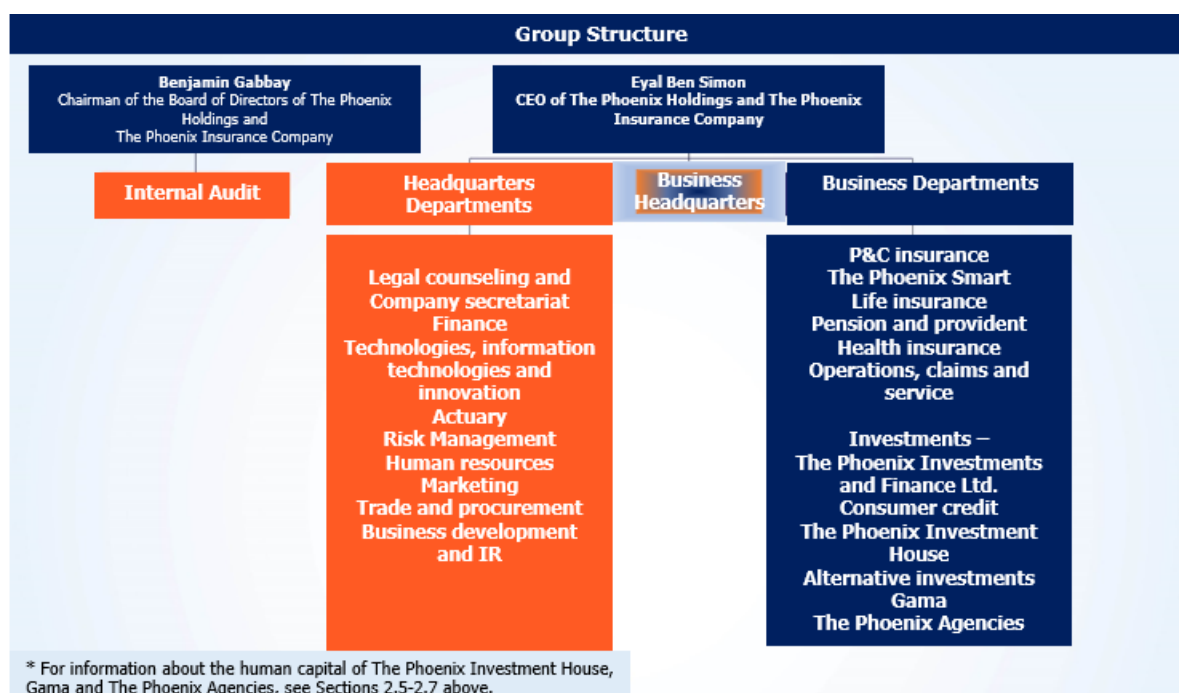
In the liability subsegments, the decline in profits compared with 2021 and 2020 stems mainly from a decline in the profits of the third party insurance subsegment.

4.6 Human capital

Most Group employees are employed by The Phoenix Insurance, and some are employed by other consolidated companies.

4.6.1 The Group's organizational structure

Set forth below is the organizational structure of Group's Head Office units and key business units:



The Company's Board of Directors sets the Group's policy and supervises the performance of the CEO and management.

The insurance, pension and provident fund activities are carried out by The Phoenix Group, which divides them into areas of activity, each of which is headed by a Deputy CEO.

The Company operates a retail marketing and distribution function focusing on distribution of and providing services for pension products and other retail products.

The Group's investment activity - including for The Phoenix Insurance and The Phoenix Pension and Provident - is carried out by The Phoenix Investments.

The claims, operations and service function provides service to the Group's customers insurance claims (property and casualty, health and life insurance claims). This function is also charged with replying to queries filed by the Group's customers on a range of issues.

The credit activity is performed mainly by Gama.

The alternative investments activity is carried out by The Phoenix Advanced Investments.

The financial services activity is carried out by The Phoenix Investment House.

The Phoenix Agencies coordinates the holdings in the insurance agencies and their distribution activity. The agencies operates as separate and independent companies.

As part of the implementation of the strategy and the wish to shorten and streamline work processes, in January 2023 two product units (platforms) were launched in the fields of motor insurance and claims. This involved a change to work methods, that included setting up multidisciplinary teams that cover both business and technological aspects, teams that focus on the product, who sit in a joint complex and have identical targets.

4.6.2 The Group's workforce

Set forth bellow is a breakdown of the Group's workforce as at December 31, 2021-2022:

	December 31, 2022	31.12.21*
The Group's management	13	12
Property and casualty insurance	231	208
SMART	268	292
Long-term savings and life insurance**,***	524	697
Health subsegment	57	56
Service, operations and claims function	1,081	1,043
IT and other Head Office units	834	743
The Phoenix Investments	95	85
The Phoenix Insurance Agencies	1	1
Total for Group, excluding The Phoenix Investment House, Gama, and The Phoenix Agencies employees	3,104	3,136
The Phoenix Investment House****	423	406
Insurance agencies controlled by the Company****	1,318	1,148
Gama****	163	140
Total - Group	5,008	4,832

* The format of presentation of the Company's employees was changed such that The Phoenix Pension and Provident line that was presented in the Report on the Company's Business for 2021 was consolidated with Long Term Savings and Life line; also, the SMART workforce that was allocated to a number of activities is presented separately.

** The decrease in the number of employees in the long-term savings and life subsegments in 2022 compared with 2021 stems mainly from transfer and integration of The Phoenix Pension and Provident employees into the service, operating, claims and IT functions, and other Head Office and finance units.

*** Including the retail marketing and distribution unit.

**** The increase in the number of employees stems mainly from an increase in the scope of activities.

For further details about directors and officers, please see Regulations 26 and 26A in Chapter Five of the Periodic Report - Additional Details about the Company.

For further details about changes in the Board of Directors and senior management the Company and The Phoenix Insurance, please see Note 42 to the Company's financial statements.

4.6.3 Workers' organizations

In December 2021, a new collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section - the "**Agreement**"; the two companies jointly - "**Phoenix**").

In accordance with the collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1, 2022, except for changes defined in the new agreement, the principal points of which are:

1. Pay rises - during the period of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.
2. Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.
3. Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.
4. Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.
5. Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of NIS 5 million per year.
6. Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average

annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled will be NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including Phoenix's generating profits that exceed that profit target to be set for that year.

4.6.4 Benefits and the nature of employment agreements

The Phoenix Insurance is a member of the Association of Life Insurance Companies of Israel Ltd., which is a member of the Coordinating Bureau of Economic Organizations; therefore, all collective agreements signed by the Coordinating Bureau of Economic Organizations apply to The Phoenix Insurance.

4.6.5 Compensation policy

4.6.5.1 Under law, the Company and The Phoenix Insurance have a compensation policy in place for officers and senior employees. The compensation plan takes into account the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016, that applies to compensation paid in a financial corporation and its approval; the said law provides, among other things, that an employee of a financial corporation may not receive a compensation which is more than 35 times higher than the lowest compensation paid to an employee of the corporation in the year prior to the engagement date (for this purpose, an "employee" shall include employees of a manpower contractor employed by the financial corporation). The law also sets out approval procedures in respect of compensation paid to an employee of a financial corporation who is paid more than NIS 2.5 million. Furthermore, the compensation policy is mainly based on multi-year results, return on capital achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In October 2020, the Company's General Meeting approved, among other things, a compensation policy for 2021-2023.

For further details about the Company's compensation policy (including amendments thereto), please see the Company's immediate reports of February 18, 2020, September 30, 2022 and November 30, 2022 (Ref. Nos.: 2020-01-014290, 2020-01-102009 and 2022-01-115548, respectively), and in the link below.

<https://www.fnx.co.il/fnx-insurance-ltd/reward-policy-in-the-group/>

4.6.5.2 Options plan for employees and officers: In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company awards, from time to time and without consideration, warrants (hereinafter, in this section - "**Options**") to employees and officers of the Company and companies under its control. In January 2022, the Company's Board of Directors approved an additional allotment of up to 4,883,593 additional options to employees and officers of the Company and some of its subsidiaries. For further details, please see immediate reports dated December 27, 2018, February 1, 2022 and March 8, 2022 (Ref. Nos.: 2018-01-119905, 2022-01-012510 and 2022-01-023133, respectively).

4.6.5.3 Incentive plan for investment employees: pursuant to the Commissioner's circular, which ordered that a compensation policy be set for investment employees, and in accordance with the aforesaid compensation policy, the Group has a multi-year plan to compensate investment employees; this plan is designed to balance out the fixed and variable compensation components, and to reflect the level of risk involved in achieving the returns in the various investment channels. The plan is based on a series of parameters and profitability targets, which are based, as a general rule, on cumulative three-year results, the results in the various investment channels compared to competitors, taking into consideration the relative risk level of the various channels with respect to several parameters, as well as the relative risk level. For further details about the compensation plan for investment employees, please see:

<https://www.fnx.co.il/fnx-insurance-ltd/reward-policy-in-the-group/>

4.6.5.4 Insurance, indemnification and exemption for officers and senior employees: The Company purchased a liability insurance policy covering its directors and officers, and provided officers with indemnification and exemption letters. For further details about the indemnification and exemption letters and the insurance policy covering officers, please see Regulation 22 in Part 5 of the Periodic Report and Note 42 to the Financial Statements. For information about the renewal of directors and officers liability insurance for 2023, see immediate report of November 2, 2022 (Ref. No.: 2022-01-106689). For further details about the revision of the Company's compensation policy and the increase in the liability insurance coverage amount provided to the Company's officers (with a liability limit of US USD 220 million), please see Regulation 22 in Part 5 to the Periodic Report.

4.6.6 Training programs

The Company's training programs focus on maintaining the professional level of its employees by providing ongoing guidance and updates on matters pertaining to legislative changes and new laws and regulations, the enforcement plans adopted by the Company, improvement of the service approach and capabilities, changes to internal procedures, etc. The Company also implements various

management training plans with the aim of improving the quality of management and encourage the use of management tools.

4.6.7 Code of Ethics

The Group's management advocates for an adequate business culture of its employees and managers (including directors) at part of their fulfillment of their duties in the Company. Accordingly, the Company adopted a Code of Ethics that was revised in the reporting year. Each new employee signs a statement to the effect that he/she read the Code of Ethics and undertakes to abide by it; furthermore, in the reporting year the Company launched tutorials for integrating the Code of Ethics among its employees.

4.7 Marketing and distribution

4.7.1 Overview

In order to enhance The Phoenix Group's presence and benefit from the diversity of its product offering and its capabilities through its various Group companies, The Phoenix implements a policy of consolidating brands and creating a monolithic brand that will address the Group's capabilities and the customers' expectations in its various areas of activity, and combine the Group's strengths and resilience in its different areas of activity.

The Group's key distribution channels are as follows:

Marketing and distribution in the insurance businesses are carried out by insurance agents, insurance agencies and distribution in digital channels, including through The Phoenix Smart, to allow for swift, direct purchase of products by policyholders. Most agents have agreements in place with several insurance companies in order to meet customers' diverse needs. Key considerations for agents in selecting an insurance company to contract with: rate of fees and commissions, quality of service provided by the insurance company, product and service innovation, and suitability of the insurance company's products to the needs of the agents' customers. Key considerations for insurance companies in selecting agents: the agent's areas of activity, expertise and relative advantages, potential for business collaboration with the insurance company, agent's profitability, fees and commissions charged by the agent, quality of the agent's sales, retention of the agent's portfolio, the agent's customer base and their reliability.

The Company operates an advanced online portal through which it provides marketing, business and sales-related information to agents in connection with their entire activities, as well as professional and operational information. The information is also offered to the agent through a dedicated mobile app.

The Company operates a sales call center that provides services to The Phoenix' agents (Fnx4u); the call center supports the Company's sales activities, for and in collaboration with agents.

The Company also operates a direct digital marketing channel through which it sells life insurance products, and a retail marketing and distribution function focusing on distribution of, and providing services for, pension products and other individual products. Digital sales of insurance products is carried out through sales interfaces on the Company's website and through a call center. This activity is marketed under The Phoenix Smart brand name.

The Company operates a customer call center, which aims to provide swift response to customers' inquiries, including inquiries in connection with the reports issued by the Company to its customers, questions regarding insurance policies, etc. Customers can contact the Company through all widely used digital communication channels, such as WhatsApp, text messages, email and, of course, by phone. Furthermore, the Company's website is used to send customers personal information and allows customers to perform transactions using the "personal zone". The Company operates a wide range of self-service functions that can be accessed through the Company's website. In addition, the Company provides marketing information to existing and potential customers.

The Company operates in social media platforms Facebook and Instagram, where it has a community of more than 74,000 followers; it also generates dedicated content on YouTube and other digital media platforms. By maintaining direct contact with its customers through social media platforms, the Company generates a dialogue on insurance issues and other aspects relating to health, savings and property, answers questions, handles service-related complaints and provides answers to questions relating to Company's products and services.

4.7.2 Agents and insurance agencies ("Agents")

Centralized marketing and distribution activities of The Phoenix Insurance are conducted through insurance agents.

The Phoenix Insurance also acts through the arrangement agencies and other insurance agencies employing subagents. These agencies usually cooperate with a number of insurance companies.

4.7.3 The banks - pension advice

The banking corporations serve as a distribution channel in the field of long-term savings, in their capacity as pension advisors. The scope of activity in this channel is immaterial.

4.7.4 Regulation of the activity of pension agents, marketers and advisors

The agents' activity is regulated by the Commissioner as well. Agents' activities are regulated under the Insurance Contract Law, Supervision Law, and with regard to pension products and marketers of pension products - also under the Advice and Marketing Law.

4.7.5 Insurance and savings segment and asset management segment - Pension and provident

As of the report date, the insurance, pension and provident funds marketing function is composed of the agents function (working in accordance with distribution agreements signed with the Company, as described above), and a retail marketing and distribution function.

The agents function & fees and commissions

The Phoenix Insurance and Phoenix Pension and Provident pay agents fees and commissions at variable rates. The fees and commissions rates are determined by product type, an agent's productivity, profitability of the agent's insurance portfolio, and is also based on specific negotiations with agents and other characteristics of each agent. The insurance agents work with sales managers who are employed by The Phoenix Insurance, who provide guidance on sales-related issues and help solve issues stemming from current activities.

The fees and commissions paid over the life of these policies are usually determined as a percentage of the premium; in "track" savings policies and in provident funds, they are usually determined as a percentage of the accrual. Fees and commissions are also paid in respect of the agent's sales activity immediately prior to the policies' purchase date. It should be noted that the Advice Law prohibits tying management fees paid by a policyholder to the fee paid to the agent for the sale of pension and financial products as of April 2017 and thereafter.

Set forth below is the average rate of fees and commissions out of gross premiums in life insurance (by percentage):

	2022	2021	2020
Average rate of fees and commissions on premiums	8.05	7.93	8.00

Set forth below is the average life insurance fees and commissions rate in the first year out of the new annualized premium (by percentage):²³

	2022*	2021	2020
Average rate of fees and commissions out of the new annualized premium	53	44	44

* The change in 2022 stems from a change in sales mix in savings and life insurance policies.

²³ Annualized premium - the annual premium as if paid for a whole year in advance in one lump sum when the insurance is taken out, rather than being paid in installments.

Pension advisors

The Phoenix Pension and Provident has in place agreements for the distribution of its products with most commercial Israeli banks. Under the agreements, distribution of provident and pension products is carried out in exchange for a distribution fee at the maximum rate allowed under the Advice Regulations.

The agreements are for an unlimited period; they may be canceled by each party by giving the other party advance notice.

The Phoenix Insurance has not yet signed distribution agreements for the distribution of its insurance products with the banks.

4.7.6 Property and casualty insurance

Marketing in the property and casualty insurance segment is carried out by agents, and through a direct channel under the "Phoenix Smart" brand name. In 2022, there was no single agent whose sales constituted more than 10% of the sales of individual policies in this subsegment.

Average rate of fees and commissions out of gross premiums (by percentage):

	2022	2021	2020
Compulsory motor insurance	4.8	4.9	4.6
Motor property*	14.2	17.2	17.4
Other property and casualty insurance	16.2	16.4	15.9

* The decline in the percentage of motor property insurance in 2022 compared with previous years stems from the reversal of provisions for payment of further fees, payable in respect of increase in the scope of raising in previous years, totaling NIS 14 million.

4.7.7 Health insurance

In the health insurance segment, marketing is mostly carried out by agents and supported by the Fnx4u customer call center and Retail Unit. In the field of collective health insurance, marketing is carried out by agents, with employees responding to queries of representatives of the relevant organizations (advisors and/or agents) requesting price quotes. In travel insurance, marketing is carried out by agents and Phoenix Smart, both through digital channels and sales representatives.

Set forth below is the average rate of fees and commissions out of gross premiums in the health insurance area of activity (by percentage):

	2022	2021	2020
Average rate of fees and commissions on premiums	12.5	12.7	13.9

The structure of fees and commissions paid to Agents in respect of selling an individual health insurance policy is basically similar to the structure of the fees and commissions paid in the life insurance subsegment in respect of the risk products (for further details about the structure of the fees and commissions, please see above in Section 4.7.5 to the Report. For collective insurance policies marketed by Agents, the Company normally pays the Agents fees and commissions calculated as a percentage of the paid premium.

4.8 Suppliers and Service Providers

4.8.1 Suppliers and service providers in the insurance areas of activity

As part of their activities, Group companies engage numerous suppliers and service providers in the various insurance areas of activity, mainly for settlement of claims. Group companies select their suppliers and service providers according with the quality and nature of the services offered by them, their availability and areas of expertise. Engagements with these suppliers and service providers include, among other things, payment based on global rates, payment by transaction, by percentage of the risk, and by hourly rate or per opinion. To the extent possible, the Group avoids being dependent on a single supplier, as the term is defined in the Commissioner's circular on revising provisions in the periodic reports of insurance companies, and works to diversify its pool of suppliers.

In the motor property subsegment, the Company provides its customers with services such as: towing, replacement car in case of an accident or theft, as well as replacing car windscreens and windows, headlights, mirrors, etc. Each agreement with a service provider sets annual or periodic rates to be paid by The Phoenix Insurance to the service provider. The suppliers of towing and replacement car services are Drachim Road Side and Towing Services Ltd. and Shagrir Group Vehicle Services Ltd.

In home insurance, as of September 2017 (following the amendment to the provisions of the Consolidated Circular with regard to water damages), the Company entered into an agreement with Natav Claims Management Ltd. for the provision of management services. Pursuant to the agreement and, in accordance with the amendment to the Consolidated Circular, the policyholder selects the plumber from a list of suppliers included in the arrangement with The Phoenix Insurance; the list is published on the website. In business insurance, Aminut Express Services Ltd. continues to provide services in connection with pipe damage.

In the field of customer services, in February 2015, the Company and Teleclal Ltd. entered into agreement for the provision of customer call center services, in addition to the Company's own call center, with the aim of improving the quality of services provided to the Company's customers.

4.8.2 Suppliers and service providers in the field of asset management – pension and provident

- 4.8.2.1** In 2006, The Phoenix Pension and Provident and Mediton entered into an agreement for the provision of fund physician and medical committees services to pension fund planholders claiming disability; this agreement was assigned to the Management Company. In 2021, Management Company entered into an agreement with another supplier in this field - Medical Premium Touch.
- 4.8.2.2** In 2007, The Phoenix Pension and Provident and Bank Mizrahi Tefahot Ltd. signed an agreement for operating planholders' accounts in the provident funds under its management.
- 4.8.2.3** In 2012, the management company and Malam Payroll Ltd. entered into an agreement for receiving services in the field of systems for management of tax and pension calculation for pension funds planholders.
- 4.8.2.4** In June 2016, The Phoenix Pension and Malam Provident Fund Operation Ltd. (that was merged into Malam Provident Fund and Pension Ltd.) entered into an agreement for the provision of operating services for planholders' accounts in provident funds and in the self-directed advanced education fund. This company also provides operating services to the old pension funds the management of which was transferred to The Phoenix Pension by Halman Aldubi Provident.

4.8.3 IT suppliers and service providers

The Group has agreements with several hardware and software suppliers; the Group also has maintenance service agreements with these suppliers. In addition, the Group enters into agreements with various suppliers for the provision of development and maintenance services. The types of agreements with these suppliers include engagement at a fixed price per project, engagement on an hourly basis and engagement based on a price per unit. The Group also has agreements in place with various suppliers which provide it with services comprising, inter alia, of: development, maintenance, operation, storage and processing of information, information systems or infrastructure, from time to time or on a regular basis at the suppliers' premises.

In view of the knowhow accumulated by suppliers during the course of the service period, the Group may naturally become dependent - in the short-term - on a specific supplier of IT services, since replacing a supplier in this field involves the investment of costs and time. Such dependency may arise, for example, due to the need to execute a project within a short period of time in order to address changes in regulation or software, or in a project involving an area where the supplier has advantage over others due to specific expertise it acquired.

4.9 Fixed Assets

The Group's fixed assets mainly include office buildings, computers, software (which is presented under the "other assets" line item in the financial statements) and equipment. For further details, please see Note 6 to the Financial Statements.

4.9.1 Set forth below is a description of the key properties used in the Group's activities:

The Group's offices at Hashalom Road, Givatayim: Most of the Group's activities take place in a single site. The Phoenix Insurance has the rights to be registered as owner of 22 floors of office space at 53 Hashalom Road, Givatayim, with a total gross area of 28,000 sq. m, warehouses with a total area of 700 sq. m, and 547 parking spaces in the underground parking lot used by the Group's employee. The Company also leases offices with a total area of 500 sq. m from other owners in the building.

Offices at 7 Palyam St., Haifa: The Company manages its activities in the north of Israel in offices it leases in a building located at Palyam Street, with a total area of 960 sq. m and 10 parking spaces.

Office floor in the Dona building, Jerusalem: The Phoenix Investments owns one floor and 16 parking spaces in the Dona building at 20 Beit Hadfus St., Jerusalem. The entire floor (approximately 800 sq. m) is used as The Phoenix Insurance's Jerusalem branch.

Givat Shmuel: The Company leases office space with an area of 6,800 sq. m and 270 parking spaces in the Amitech building at Givat Shmuel. The space is used by various units of the Group.

Rishon LeZion: the Company leases office space in a building located in Rishon Lezion with an area of 4,680 sq. m and 200 parking spaces; these offices are used to expand The Phoenix Insurance's business.

Holon: A site previously used by Halman Aldubi Investment House that was purchased by The Phoenix; the area of the site is 3,400 sq. m in 11th and 5th floors, including 85 parking spaces. Some of the area is subleased to companies that are partially/wholly-owned by The Phoenix.

"Similarweb House", Givatayim (close to the Group's offices): The Company rents office space in a building close to the Group's Head Office, at the area of 740 sq.m as well as 30 parking spaces that are used by The Phoenix Insurance.

3 Mesada St. Bnei Brak: The Partnership (wholly-owned by The Phoenix group) leased to Gama (a related company) offices in the 9th and 10th floor of a building at the total area of 3,240 sq.m, warehouses at the area of 140 sq.m and up to 70 parking spaces.

The 1000 Compound in Rishon LeZion: in December 2019, The Phoenix submitted a bid in a tender held by the Rishon LeZion municipality for the purchase of a plot of land in the 1000 Compound zoned for business and commercial use and for execution of construction work. The tender covers an area of 15 acres, with rights to approximately 355 thousand sq. m. Under the tender, the winner undertakes to self-use up to 50 thousand sq. m within 5 years of winning the tender. In 2020, the Company received confirmation from the Rishon LeZion municipality that it has won the tender. The Company is currently in advanced planning and execution stages of the project, and construction work of the top building frame of The Phoenix Campus and finishing work in the car park are being held on site.

For further details about The Phoenix Investment House's fixed assets, please see above in Section 2.5.7 to the Report.

4.9.2 IT systems

In 2022, the Group invested in software and computers NIS 389 million. The Company's total current IT expenses amounted to approximately NIS 477 million - an increase of approximately NIS 64 million stemming mainly from an increase in depreciation expenses and current automation expenses, and from the addition of expenses in respect of companies consolidated for the first time in the reporting year. For further details, please see Note 5, Note 7 and Note 36 to the Financial Statements.

The Group's IT Division provides all IT services to the organization through the Company's employees and, when necessary, through various subcontractors and software suppliers as well. The Group's IT function serves all The Phoenix's employees nationwide and provides the Group's pension funds with IT services and access to The Phoenix Group's IT systems; the function also supports the Agents and their employees across Israel, who use various communications infrastructures.

The IT services of The Phoenix Investment House and the insurance agencies held by the Group are generally managed independently.

The Phoenix Group's core IT infrastructures provide services to 10,000 users, including the Company's employees and Agents. The Company's IT center is installed at its head office in Givatayim. The Company also operates a backup site in Netanya, which includes all the IT infrastructures and systems required for the Company's operations - including The Phoenix Investment House - at times of emergency, allowing for business continuity in the event that the main site is out of order. The storage systems in which all of the Company's data is saved in the main site are regularly synchronized with the backup site. The backup site is also used to develop and test the Company's systems. Further to regulatory requirements and in order

to enhance The Phoenix Group's information survivability, an additional backup site was set up (featuring a third copy of the information).

The Phoenix Group's main IT systems are as follows: the core life insurance systems were internally developed by The Phoenix Group. In recent years, the Group is in the process of improving its systems to support the expansion of its services and to continue to support its business processes and regulatory requirements in future years. The life insurance system manages policyholders, policies, products, coverage, underwriting, Agents' agreements, fees and commissions, collection, redemptions and loans. Life insurance claims and most of the health claims are managed using a SAP-based central claims system. The Phoenix Group operates provident and advanced education policies through an operating entity.

The core property and casualty insurance systems are also mostly based on internally developed systems using the same technological infrastructure. The system operates in conjunction with systems that manage policyholders, Agents, fees and commissions, collection, payments and claims.

The core insurance systems are supported by various document and work process management systems, systems managing the activity with reinsurers, as well as risk management and actuarial systems. Most of the systems are supported by widely-known and widely-used software products, which are employed by The Phoenix in order to provide the required business response. The Company operates a DWH system, which provides information on all of Company's operational systems.

The finance and procurement activities are based on SAP software package, which is linked to all of the organization's systems, thereby serving as a single source of information. The investment system is based on software by Danel in combination with a dedicated BI system.

The Company manages its service centers using a CRM system; the system provides a central platform for management of inquiries received in the various service centers from customers, agents and employers.

In the reporting year, the Cyber Security Unit focused on further enhancement of corporate protection systems, including increasing employees' awareness of cyber risks, response to privacy protection requirements and handling gaps detected in the risk surveys.

4.9.3 Online and digital activity

The Group operates a marketing website used to provide to the public information about the Group, its product offerings, general information about various insurance coverages, information targeted to specific groups or population segments and regulatory information. The Phoenix policyholders can use the website to search for service providers with whom the

Company has arrangements to provide services to its customers (such as: auto repair shops, physician, appraisers, etc.).

Customers can use the website to purchase compulsory and comprehensive motor insurance, travel insurance, and home and mortgage insurance. Policyholders can use the website to digitally open claims for most insurance products and download and fill out a wide range of forms; the public can contact the Company through its range of communication channels to obtain information or carry out transactions, using online chat, email, as well as text and WhatsApp messaging.

The Group also operates a personal zone for its policyholders, through which they can easily and conveniently receive a copy of their policy, the status of processes underway, applications and claims, print out various documents, update personal information and monitor their pension contributions on an ongoing basis at a time of their choosing, without waiting. The website is accessible to people with disabilities, and allows access to information using various aids. The website is also mobile-optimized.

In addition, the Group operates a dedicated Facebook page, where information is available about its products and activities; the Facebook page can be used to contact the Company's various service channels in order to receive information and support in performing various transactions. The Company is also active in other digital media platforms, such as Google, YouTube, Instagram, etc. It should be noted that other Group companies have their own websites.

The Company also has a dedicated website for its agents (an agents' portal) through which they can receive information about their activity with the Company as well as information about policyholders who are insured through them; this website can also be used by agents to offer life insurance and/or pensions and/or long-term savings to policyholders.

4.9.4 Vehicles

The vehicles used by the Group are mainly operated through operating leases.

4.10 Seasonality

4.10.1 Life insurance

Revenues from life insurance premiums are not significantly affected by seasonality. Nevertheless, in view of the tax benefits available on contributions towards life insurance, a significant proportion of new sales are carried out towards the end of the year.

Set forth below is a breakdown of gross life insurance premiums by quarter:

	2022		2021	
	%	In NIS million	%	In NIS million
Q1	26.7	1,498	23.3	1,262
Q2	25.3	1,418	24.6	1,334
Q3	25.6	1,437	25.3	1,371
Q4	22.4	1,258	26.8	1,456
Total	100	5,611	100	5,423

4.10.2 Property and casualty insurance

The seasonality of premiums is particularly noticeable in the first quarter; this is mainly due to renewal of motor insurance policies of various groups of employees and businesses' vehicle fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of premiums seasonality on profits is mainly offset by the unearned premium reserve mechanism.

It should be noted that a severe winter may trigger an increase in claims, mainly in the property subsegment.

Set forth below is a breakdown of gross property and casualty insurance premiums by quarter:

	2022		2021	
	%	In NIS million	%	In NIS million
Q1	27.3	1,016	28.8	908
Q2	25.3	940	22.3	705
Q3	25.1	932	25.4	800
Q4	22.3	829	23.5	742
Total	100	3,717	100	3,155

4.10.3 Health insurance

The breakdown of premium data by quarter shows that seasonality does not materially affect the distribution of health insurance premiums during the calendar year.

4.11 Intangible assets

4.11.1 General

The Company owns trademarks pertaining to its name's logo "The Phoenix", and a number of other names and brands.

The Phoenix uses several brand names in the insurance, investments and finance segments, such as: The Phoenix, Phoenix Smart, Phoenix Investments Insurance and Finance, The Phoenix Advanced Investments, The Phoenix Investment House, The Phoenix Pension and Provident, and more. The brand names benefit from the public recognition and the reputation created and accumulated by The Phoenix over more than 70 years of activity, both among policyholders and among insurance professionals.

In order to enhance awareness of the Company's brand names, The Phoenix uses various mass communication channels such as: commercial TV, regional and national radio stations, websites and dedicated Internet pages, apps and digital platforms, such as Google, Instagram, YouTube, Facebook, LinkedIn and more.

Domain names

The Phoenix owns the domain names of websites of The Phoenix (such as the domain name of The Phoenix' home page), and other domain addresses, which are relevant for The Phoenix's activity.

4.11.2 Databases

The Phoenix Insurance maintains databases, which are essential for the management of its business, in accordance with the Privacy Protection Law, 1981.

4.11.3 Information systems

The Company develops - through its employees and suppliers - copyright-protected software for internal use. For further details about IT systems, please see also Section 4.9.2 above.

4.11.4 Goodwill and excess of costs

As of December 31, 2022, the Company has goodwill and excess of cost - from acquisition of insurance agencies, the asset management - provident and pension activity, and the asset management - financial services activity - totaling approximately NIS 2,080 million (approximately NIS 1,949 million as of December 31, 2021), net of amortization. These are mainly attributed to goodwill, fees and commissions portfolios and future management fees. At the end of 2022, the Company tested the recoverability of its goodwill and did not conclude that its value was impaired. For further details, please see Note 4 to the Financial Statements.

4.12 Financing

The Group finances its activity, inter alia, from external sources, including issuance of promissory notes, bonds, as well as short-term and long-term bank and non-bank loans.

Total financial liabilities as of December 31, 2022 and 2021 is approximately NIS 13,105 thousand and approximately NIS 8,813 thousand, respectively. The increase stems mainly from debt raising carried out in the reporting year, increase in interest rates and linkage rates, and increase in the scope of derivatives.

Average interest rate

The average interest rates on loans from bank and non-bank sources in 2022, which are not earmarked for specific use by the Group, are listed in the following table:

	Average interest rate on loans not earmarked for specific use (by percentage)			
	Average rate	Subordinated bonds	Long-term loans	Short term loans
Banking sources - USD-linked	1.58	-	-	1.58
Bank sources - non-linked	4.6	-	-	4.6
Non-bank sources - CPI-linked	1.24	2.26	0.44	-
Non-bank sources - non-CPI-linked	3.78	3.18	5.14	4.75

For further details regarding the promissory notes and bonds issued, please see Note 26 to the Company's Financial Statements.

4.12.1 Capital and debt raising

Publication of prospectuses

In August 2022, the Company published a shelf prospectus, according to which it may issue various securities, such as: ordinary Company shares of NIS 1 par value each, preferred shares, non-convertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may take place from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, and liquid securities. For further details, please see the immediate report dated August 23, 2022 (Ref. No. 2022-01-107443).

In August 2022, The Phoenix Capital Raising published a shelf prospectus pursuant to which it will be able to issue various types of securities in accordance with the provisions of law – nonconvertible bonds (including by expanding existing series of bonds of The Phoenix Capital Raising as they will be from time to time) and option warrants exercisable into bonds of The Phoenix Capital Raising. The issuance proceeds in respect of the above securities will be deposited with The Phoenix Insurance for its use at its own discretion and responsibility.

In the reporting year, the Company raised capital and debt as follows:

Bonds (Series 6) and early redemption of bonds (Series 3)

In January 2022, subsequent to the report date, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5, 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated iAA- with a stable outlook by Ma'alot, and Aa3.il with a positive outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Bonds (Series 3) in the total amount of NIS 283,770,005, which was implemented on January 18, 2022. For further details, please see the Company's immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313, 2022-01-008097).

Series 4 bonds

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed on the Tel Aviv Stock Exchange Ltd. The bonds are rated iAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. For further details, please see immediate report dated September 11, 2022 (Ref. No.: 2022-01-093804).

Subsequent events

Extension of Bonds (Series 6)

In January 2023, subsequent to the report date, the Company issued - by way of expansion - further Series 6 bonds of up to NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 thousands. The Series 6 bonds are rated iAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

4.12.2 Credit limitations

Series 4 bonds

As part of the deed of trust of the Company's Series 4 bonds, the Company undertook not to place a general floating charge on its assets as long as Series 4 bonds are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 4 bondholders. Furthermore, with respect to Series 4 bonds, the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, please see Sections 5.6 and 5.10 and Appendix 1 to

the deed of trust attached to the shelf offering report published on May 7, 2019 (Ref. No. 2019-01-039576).

Series 5 bonds

As part of the deed of trust of the Company's Series 5 bonds, the Company undertook not to place a general floating charge on its assets as long as the Series 5 bonds are not repaid in full, unless it obtained the bondholders' consent in advance and placed on that date a charge of the same rank in favor of Series 5 bondholders. Furthermore, with respect to Series 5 bonds, the Company assumed upon itself restrictions on distribution of dividends and the expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, please see Sections 5.7 and 5.9 and Appendix 1 to the deed of trust that was attached to the shelf offering report published on February 20, 2020 (Ref. No. 2020-01-014890).

Series 6 bonds

As part of the deed of trust of the Company's Series 6 bonds, the Company undertook not to place a general floating charge on its assets as long as Series 6 bonds are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 6 bondholders. Furthermore, with respect to Series 6 bonds, the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, please see Sections 5.7, 5.9 and Appendix 1 to the deed of trust attached to the shelf offering report published on January 5, 2022 (Ref. No. 2022-01-003042).

Apart from the aforesaid undertakings, the Company is not subject to any credit restrictions.

4.12.3 Credit rating

Rating reports published by Midroog

The Company

On January 17, 2022, Midroog announced it was reiterating the rating of Series 3, 4, 5 and 6 bonds at Aa3.il, and altering the outlook from stable to positive.

On September 8, 2022, Midroog announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company at Aa3.il, with a stable outlook.

On January 19, 2023, Midroog announced it assigns the Company an issuer rating of Aa2.il with a stable outlook, and upgrades the rating of the Company's bonds from Aa3.il with a stable outlook to Aa2.il with a table outlook.

On January 23, 2023, Midroog announced it has rated the extension of up to NIS 150 million of Series 6 a bonds issued by the Company at Aa2.il, with a stable outlook.

The Phoenix Capital Raising

On April 27, 2022, Midroog announced it has rated the extension of Series K subordinated bonds by up to NIS 400 million p.v. at Aa3.il, with a stable outlook.

On June 29, 2022, Midroog announced it has rated subordinated bonds (issued by extension of an existing series and/or issuance of a new series M) at a total of up to NIS 400 million p.v. at Aa3.il, with a stable outlook.

On August 23, 2022, Midroog announced that it was reiterating its Aa1.il rating of the insurer financial strength (IFS) of The Phoenix Insurance Company Ltd., a subsidiary of the Company, and reiterating its Aa2.il (hyb) rating of Subordinated Bonds (hybrid Tier 3 capital) and reiterating its Aa3.il (hyb) rating for the subordinated bonds (hybrid Tier 2 capital and Tier 2 capital instruments) issued by The Phoenix Capital Raising.

Rating reports published by Ma'alot

The Company

On September 8, 2022, S&P Maalot announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company by way of private placement at ilAA.

On November 2, 2022, S&P Maalot announced the ratification of an ilAA- rating for the Company and an ilAA+ rating for The Phoenix Insurance.

On January 23, 2023, S&P Maalot announced it has rated the extension of up to NIS 150 million of Series 6 bonds issued by the Company at ilAA-.

The Phoenix Capital Raising

On May 1, 2022, S&P Maalot announced it has rated the extension of Series K subordinated bonds by up to NIS 400 million p.v. at ilAA-.

On June 23, 2022, S&P Maalot announced it has rated subordinated bonds (issued by extension of an existing series and/or issuance of a new series M) at a total of up to NIS 400 million p.v. at ilAA-.

4.13 Risk factors

This section deals with the key risk factors to which the Group is exposed.

For further details about the risk factors, risk management policy, work processes, methods employed in risk management, existing controls and the roles of the Chief Risk Officer, please see Note 40 to the Financial Statements.

4.13.1 Table of risk factors embodied in the Group's key activities

The following table lists the key risk factors to which the Company is exposed and their potential effect:

Risk factors	The effect of risk factors on the Group's activity		
	High	Moderate effect	Low
Macroeconomic risks -			
State of the economy	✓		
Unemployment rate		✓	
Breakdown of market risks:			
Interest rate risk	✓		
Credit Risk		✓	
Equity instruments risk (shares and non-financial assets)	✓		
Foreign exchange rate risk		✓	
Inflationary risk		✓	
Credit Risk	✓		
Industry-specific risks			
Insurance risks (including longer life expectancy, pension uptake, illness, as well as climate and environmental risks)	✓		
Catastrophe risk (including earthquakes, epidemics, war, etc.)		✓	
Changes in legislation and regulation	✓		
Legal precedents		✓	
Competition	✓		
Portfolio retention rate	✓		
Reinsurance availability and stability risk		✓	
Change in the public's preferences		✓	
Risks specific to the Company			
Liquidity Risk			✓
Risk of asset-liability mismatch		✓	
Operational risks		✓	
IT risk	✓		
Privacy protection and information security risks	✓		
Pricing and underwriting risks		✓	
Claims and class actions and the Commissioner's powers	✓		
Compliance risks		✓	
Outsourcing risks			✓
Business development risks, including the setting up of alternative investments activity		✓	
Impairment of the Company's goodwill, financial strength, market cap or rating	✓		

The potential effect of the risk factors on the Group is based on the estimates of the Group's management, taking into consideration the scope and nature of its activities as of the report date. The actual effect may vary due to changes in the Group's activities or market conditions. For further details about the key risk factors in relation to the asset management - financial services activities, please see Section 2.5.16 above. For further details about the key risk factors in relation to the credit activities, please see Section 2.6.19 above.

4.14 Material agreements

- 4.14.1 Reinsurance agreements** - For further details about the Company's engagements with reinsurers, please see Section 4.5 above.
- 4.14.2 Agreements regarding holdings in investees** - For further details about these agreements, please see Section 4.4.4 above.
- 4.14.3 Maccabi agreement** - For further details regarding this agreement, please see Section 2.3.5(c) above.
- 4.14.4 Cloud services** - In March 2022, the Company contracted two suppliers in the field of cloud services: 1. Amazon Web Service (AWS): The supplier of the cloud services that will be used by the Group for all future technological needs of the Phoenix. The agreement is an enterprise agreement and is not limited in time; and Snowflake: provider of managed cloud data warehouse services to be used by The Phoenix to realize its cloud data platform and to replace its existing data warehouses. The agreement is for a defined term and can be renewed by the Company.
- 4.14.5 Application of IFRS 17** - For further details about the Company's engagements in agreements for the purpose of implementing the standard, see Section 1.3.20 above.
- 4.14.6 The Phoenix Investment House Restructuring** - For further details regarding this agreement, please see Section 1.3.6 above.
- 4.14.7 The Phoenix Investment House** - For further details regarding The Phoenix Investment House's material agreements, please see Section 2.5.12 above.
- 4.14.8 Gama** - For further details about Gama's material agreements, please see Section 2.6.11 above.
- 4.14.9 Agencies** - For further details about material agreements in the agencies activities, please see Section 2.7 above.

4.15 Objectives and Business Strategy

For more information about the Company's business targets and strategy, see Section 1.3.15 above and Section 4 to the Report of the Board of Directors.



Part E

Corporate Governance Aspects



5.1 Details regarding the Company's External Directors

As of the report publication date, the Company's Board of Directors includes 9 directors, 2 of whom are external directors and one of which is an independent director. The external directors are Ms. Rachel Levine and Mr. Mr. Richard Kaplan; the independent director is Dr. Ehud Shapira.

The Company adopted a Board of Directors procedure, which lists, among other things, the roles of the Board of Directors and its committees; the procedure was updated in April 2019.

5.2 Information about the Company's Internal Auditor

5.2.1 Details of the internal auditor:

The Company's Chief Internal Auditor is Ms. Michal Leshem (CPA), who began her term in office on September 1, 2020.

The Chief Internal Auditor meets the criteria set in Section 3(a) of the Internal Audit Law, 1992, the provisions of Section 146(b) of the Companies Law, and the provisions of Section 8 of the Internal Audit Law.

Ms. Leshem serves as the Internal Auditor of The Phoenix Insurance and The Phoenix Investments.

The internal audit work is carried out through employees of the Company's internal audit function, and through outsourced services. The Chief Internal Auditor reports to the Chairman of the Board of Directors.

The Internal Auditor of The Phoenix Pension and Provident is Elad Cohen (CPA). The Internal Auditor of The Phoenix Investment House and its subsidiaries is Hagit Kamesh Zluf (CPA). Hila Hoisman (CPA) of the accounting firm Deloitte serves as the internal auditor of Gama. The internal auditor of The Phoenix IEC Central Severance Fund is Shay Luterbach (CPA) of the Vardi Luterbach & Co. CPAs firm. The internal auditor of the partnerships held by Phoenix Value Advanced Investments Ltd. is Uri Ilan (CPA) of the Audit IL firm.

5.2.2 The work plan:

The internal audit function's work plan for 2022 was derived from the multi-year plan for 2020-2023, which is based on a risk survey held in order to set the audit targets in key areas; the survey was held and discussed in 2019. The work plan also includes focal points in accordance with the changes in the Company's business activity and structure, regulation, and risk levels. Material activities are audited more frequently. Additional activities may be audited more frequently, in accordance with the Chief Internal Auditor's assessment, based on guidance issued by one or more of the following: the Board of Directors, Audit Committee and management. The work plan allows the Chief Internal Auditor to exercise discretion in deciding to deviate therefrom.

The Chairman of Board of Directors, the CEO and the Audit Committee may expand the scope of the plan or request specific changes. Material changes in the annual work plan are reported to the Audit Committee.

The scope and nature of the work of the Chief Internal Auditor and her team were determined taking into consideration the scope of the Group's activities and its various areas of activity.

The Chief Internal Auditor submits to the Audit Committee a detailed periodic report about the auditing activity in the reporting period.

Interested party transactions are discussed and approved by the competent organs as required by law. As part of the work plan, the Internal Audit Division also reviews approved interested party transactions. Other material transactions, including approval of such transactions, are reviewed from time to time as part of the work plan and in accordance with generally accepted auditing principles.

5.2.3 Hours invested and audit of investees:

	No. of hours invested	
	The Company's internal auditor	Other internal auditors
The Phoenix Holdings	860	-
The Phoenix Insurance	23,591	-
The Phoenix Capital Raising	50	-
The Phoenix Pension and Provident Fund	4,719	-
Gama Management and Clearing Ltd.	-	1,470
The Phoenix IEC Central Severance Fund Ltd.	-	1,070
Phoenix Value Advanced Investments Ltd.	-	367
The Phoenix Investment House	-	4,170
Total hours	29,220	7,077

The Phoenix Pension and Provident Fund - including 1,420 hours carried out by the operating entities (Bank Mizrahi and Malam).

Excellence Investments Ltd. and its subsidiaries.

In 2022, the internal audit activities in all Group companies amounted to 36,297 hours, as described above.

5.2.4 Conducting the audit

The internal audit was conducted in accordance with the provisions of the Internal Audit Law, 1992, and the Companies Law, 1992, as well as in accordance with generally accepted practices while adapting the application of the guidelines and professional standards issued by the Chartered Institute of Internal Auditors (IIA).

The Board of Directors, through its Audit Committee, oversees the Internal Audit Division's work procedures, practices and results. The Board of Directors is of the opinion that the internal auditor's work practices are appropriate and in line with the composition and scope of the Group's activities.

5.2.5 Access to information

During the course of the audit work, the Chief Internal Auditor was provided with documents and information as required. The Chief Internal Auditor and her team were given full, ongoing and unrestricted access to IT systems and financial data, where such access was required to perform their work.

5.2.6 Chief Internal Auditor's report

The Chief Internal Auditor's reports are submitted in writing. Generally, upon issuance of the internal audit reports by the internal audit function, and as part of the current work process, the reports are discussed with the audited functions. Internal audit reports are submitted on an ongoing basis to the Chairman of the Board of Directors, the Company's CEO, Legal Counsel, Chief Risk Officer and the Company and/or the subsidiaries' audit committees, as applicable. In 2022, the Company's Audit Committee held 14 meetings, and the audit committees of the Group's institutional entities held 33 meetings,²⁴ of which approximately 33 meetings discussed the internal audit reports.

5.2.7 The Board of Directors' assessment of the Chief Internal Auditor's work

In the opinion of the Board of Directors, the scope, nature and continuity of the Chief Internal Auditor's work and her work plan are reasonable under the circumstances, and are sufficient to achieve the Group's internal control objectives.

5.2.8 Compensation

The Chief Internal Auditor is a Group employee, having the status of a VP and employed on a full-time basis; she receives a monthly salary including related social benefits. The Chief Internal Auditor has an individual compensation plan that includes the right to take part in the Company's

²⁴ The Phoenix Insurance 13 meetings, The Phoenix Pension and Provident 14 meetings, and IEC Gemel 6 meetings.

options plan, and an entitlement to an annual bonus based on Company's targets, as part of the overall compensation policy adopted by the Company and its institutional entities.

During the reporting year, the Chief Internal Auditor was awarded approximately 60,000 illiquid option warrants exercisable into ordinary shares of NIS 1.00 par value each; the option warrants were awarded as part of the option plan applicable to Company and Group employees and officers. The total cost of the internal auditor's salary in 2022 amounted to approximately NIS 2.3 million.

In the opinion of the Board of Directors, the Chief Internal Auditor's terms of employment are reasonable and fair and reflect the Chief Internal Auditor's meeting her personal targets and contribution to the Company. The Board of Directors has found that the compensation policy paid to the Chief Internal Auditor is in line with the compensation policy of the Company and its institutional entities, and does not give rise to any concern that her professional judgment would be compromised.

5.3 Information about the independent auditor

The Company's independent auditors are Kost Forer Gabbay & Kasierer ("**Kost**" and/or "**EY**"). Kost serve as the independent auditors of most of the Group's material companies.

As from December 2022, the engagement partner dealing with the Company on behalf of Kost is Yael Assaf (CPA), who replaced Tal Hay-Zion (CPA).

The auditors' fees are determined based on the scope of the work carried out in a publicly-traded Company company and institutional entity which is an insurance company, and in the other Group companies.

5.3.1 The independent auditor's fees are approved by the Company's Board of Directors.

Set forth below is a breakdown of the independent auditors' fees in NIS thousand (excluding VAT) for services rendered by them in 2021-2022:

		2022			
		Audit services*	Special tax services	Other services	Total
The company and its wholly owned companies**	EY	2,251	29	390	2,670
	Other	720	54	33	807
The Phoenix Insurance and companies under its control	EY	3,277	63	1,317	4,656
	Other	-	-	-	-
The Phoenix Investment House and its consolidated companies	EY	620	184	198	1,002
Total		6,868	329	1,938	9,135

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding The Phoenix Insurance, The Phoenix Investment House and companies under their control.

		2021			
		Audit services*	Special tax services	Other services** *	Total
The company and its wholly owned companies**	EY	1,459	55	93	1,607
	Other	977	41	283	1,301
The Phoenix Insurance and companies under its control	EY	3,204	152	817	4,173
	Other	105	-	12	117
The Phoenix Investment House and its consolidated companies	EY	500	127	-	627
Total		6,245	375	1,205	7,825

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding The Phoenix Insurance, The Phoenix Investment House and companies under their control.

(***) Most of the services are control procedures as part of the implementation of IFRS 17.

5.4 Effectiveness of Internal Control over Financial Reporting and Disclosure

5.4.1 The Securities Regulations

Amendment No. 3 to the Securities Regulations (Periodic and Immediate Reports), 2009 (hereinafter - "ISOX"), which deals with internal controls over financial reporting and the disclosure thereof (the "**Regulations**"), was published in December 2009. The amendment enacts a number of changes aimed at improving the quality of financial reporting and disclosure by reporting corporations.

As from the publication date of the ISOX amendment, and as set out in the Company's previous Reports of the Board of Directors, the Company has been working on an ongoing basis to implement the required procedure in The Phoenix Group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the circulars of the Commissioner of the Capital Market, Insurance and Savings applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Controls over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Controls over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Controls over Financial Reporting - Statements, Reports and Disclosures"; Circular 2012-9-5 "Internal Controls over Financial Reporting - Statements, Reports, Disclosures and Management's Responsibility for Internal Controls over Financial Reporting - Amendments"; and Circular 2015-9-15, "Internal Controls over Financial Reporting - Statements,

Reports, Disclosures and Management's Responsibility for Internal Controls over Financial Reporting - Amendments" (hereinafter - "**Management's Responsibility Circulars**").

The reports and statements required in accordance with the ISOX amendment are attached below to the periodic financial statements; please see Part 5 - Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure.

The processes relating to the institutional entities are also addressed in the Commissioner's circulars, please see below in Section 5.4.2

5.4.2 The Commissioner's circulars

Alongside the process described in Section 5.4.1 above, The Phoenix Group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal control over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- Disclosure controls and procedures

Managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the said institutional entities' disclosure in their financial statements as of the end of the period covered in the Report. Based on this assessment, the CEOs and CFOs of the institutional entities in The Phoenix Group concluded that, as of the end of the period, the controls and procedures as per the institutional entities' disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that the institutional entities are required to disclose in their quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner of the Capital Market, Insurance, and Savings and on the date set out in these provisions.

- internal control over financial reporting

During the quarter ending December 31, 2022, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are conducting a process of improving and streamlining processes and/or internal controls and/or customer service. The reports and statements relating to the relevant processes are attached to the Financial

Statements of The Phoenix Group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

5.4.3 Disclosure on the financial statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the financial statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the financial statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 404 and 302 to the Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The financial statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the financial statements and the existence and effectiveness of internal controls in relation to these financial statements.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the financial statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the financial statements. The Company's Board of Directors has appointed a committee, other than the Audit Committee, that submits to the Board of Directors its recommendations concerning the approval of the financial statements, prior to their approval by the Board.

**Benjamin Gabbay, Chairman of the
Board of Directors**

Eyal Ben Simon, CEO

Date: March 22, 2023

Part 2

**Report of the
Board of
Directors on the
State of the
Corporation's
Affairs**

Table of Contents

1.	THE GROUP'S STRUCTURE, ITS AREAS OF ACTIVITY, AND DEVELOPMENTS THEREIN.....	2
2.	DESCRIPTION OF THE BUSINESS ENVIRONMENT.....	15
3.	DEVELOPMENTS IN THE MACROECONOMIC ENVIRONMENT	21
	PLEASE SEE SECTION 4.4.5 IN THE REPORT ON THE COMPANY'S BUSINESS.	21
4.	BUSINESS TARGETS AND STRATEGY	22
5.	THE BOARD OF DIRECTORS' EXPLANATIONS FOR THE STATE OF THE CORPORATION'S BUSINESS	28
6.	DISCLOSURE ON EXPOSURE TO, AND MANAGEMENT OF, MARKET RISKS	59
7.	CORPORATE GOVERNANCE ASPECTS.....	63
8.	DISCLOSURE PROVISIONS RELATING TO THE CORPORATION'S FINANCIAL REPORTING.....	68

Report of the Board of Directors on the State of the Corporation's Affairs as of December 31, 2022

The Report of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter, "The Phoenix Holdings" or the "Company" or the Corporation") as of December 31, 2022, outlines the principal changes in the Company's operations in the period from January through December 2022 (hereinafter - the "Reporting Period").

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. With regard to the insurance, pension, and provident fund operations of the group, the Report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the directives issued by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "Supervisor" or the "Commissioner").

The Report of the Board of Directors is an integral part of the Periodic Report, and the Periodic Report is to be read in its entirety, as a single unit (hereinafter - the "Financial Report" or the "Financial Statements"). For further explanations regarding changes between the financial results for 2021 and the financial results for 2020 – please see the Report of the Board of Directors on the State of the Company's Affairs as of December 31, 2021, as published in the Company's Periodic Report for 2021.

1. The Group's Structure, its Areas of Activity, and Developments Therein

1.1. Group structure

The Company's shareholders

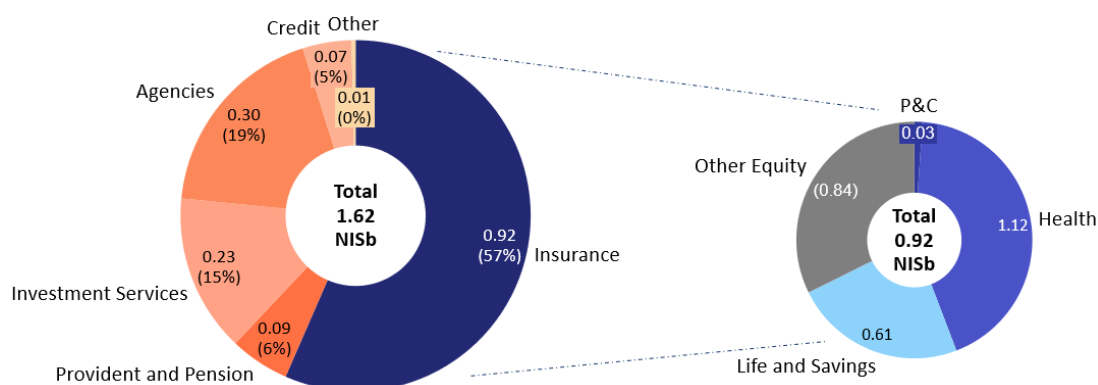
The controlling shareholder of the Company is Belenus Lux S.à.r.l. (hereinafter - "Belenus"),¹ which is indirectly held through a chain of companies, by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs; for further details regarding the holding stakes and structure, please see Section 1.1 under "Description of the Corporation's Business" in the Financial Report.

On December 13, 2022, Belenus informed the Company that the entities that have an indirect control therein signed a non-binding memorandum of understanding that includes the key terms whereby a consortium composed of ADQ Developmental Holding LLC, Gallatin and other investors will acquire the controlling core in the Company through a joint corporation that will be established. For further details, please see the Company's report dated December 13 2022 (Ref. No.: 2022-01-150541).

¹ Belenus is a sister company of Leolin Lux S.a.r.l (B243.006), which holds 0.33% of the Company's shares.

1.2. Areas of activity

- 1.2.1. For a description of the Group's areas of activity and its holding structure, please see Section 1.4 in the chapter entitled Description of the Corporation's Business in the Periodic Report.
- 1.2.2. The Company has various sources of income from the activities of its subsidiaries, as outlined in the sections dealing with the various operating segments. Set forth below is the breakdown of the pre-tax comprehensive income attributed to the shareholders in the reporting period; for more information, see Note 3 to the financial statements:



(*) In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

The Group is engaged in four core areas of activity: insurance, asset management, credit and distribution, which are divided into seven reporting segments in the report (property and casualty insurance, health insurance, life insurance and savings, asset management - pension and provident, asset management - financial services, insurance agencies and credit). As of the report date, the Group has NIS 371 billion in assets under management. In the insurance business, the Company operates through The Phoenix Insurance Company Ltd; in the asset management business, the Company operates through The Phoenix Pension and Provident, The Phoenix Investment House,² and The Phoenix Advanced Investments Ltd.; in its credit business, the Company operates mainly through Gama Management and Clearing Ltd. - a publicly-traded company, whose controlling shareholder is the Company.

In its distribution activity through The Phoenix Agencies 1989 Ltd., and the agencies it owns and holds;

For information about the acquisition of Epsilon and Psagot's assets, see Sections 1.3.7 and 1.3.8 below.

² Formerly Excellence Investments Ltd.

1.3. **Developments in the Group**

General

1.3.1. **Interest rates, the capital market and inflation**

Changes in the risk-free interest rate curve and capital market affect The Phoenix Insurance's assets, liabilities, financial performance, and solvency ratio. The Company manages the interest risks of all its assets and liabilities.

Interest rates - during the reporting period, the Bank of Israel increased its interest rate from 0.1% to 3.25%. Furthermore, in the reporting period, the shekel yield curve increased. The increase in the shekel yield curve has a positive effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

The capital market - during the reporting period, there were slumps in financial markets in Israel and across the world. These slumps have an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

Inflation - during the reporting period, the inflation rate increased by 5.3%. Inflation forecasts have also increased. The increase in inflation rates has an adverse effect both on the Company's financial results, and on The Phoenix Insurance's solvency ratio.

During the period from reporting date through immediately prior to the financial statements publication date, financial markets in Israel and across the world continued to be volatile, the Bank of Israel increased the interest rate by further 1.0%, and inflation continued to increase concurrently with expectations of a sharp decrease in inflation in Israel and globally in 2023.

For more information regarding the effects of changes in the interest rate curve, the capital market and inflation rates on the Company's financial results, see Section 41 in the Description of the Corporation's Business chapter, and Note 4.4.5 to the financial statements. As to the effect of the changes in the shekel yield curve and in capital markets on The Phoenix Insurance's solvency ratio, see Section 2.1.5 below, and Section 1A in The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2022.

For the purpose of using its financial results, the Company uses a real return of 3% (see Section 5.4.1); in view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting profits and investment profits.

1.3.2. **The legal reform**

In recent months, there has been uncertainty regarding the government's plans to promote changes in the judicial system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. The legal reform or its consequences might impact the economic environment in which the Company operates, the cost of capital raising, the credit rating of Israel, and more. At this stage the

Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

The insurance activity

1.3.3. **Update regarding mortality assumptions.**

In June 2022, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the consolidated circular regarding updating the demographic assumption system and a mortality improvement model for insurance companies and pension funds (hereinafter - the "Circular"). For information regarding the Circular, see Section 2.2 below.

The provisions of the Circular update the assumptions underlying the calculations of liabilities and coefficients in life insurance policies, such that the Circular has an adverse effect on The Phoenix Insurance's financial results and solvency ratio. The effect on the financial statements following the publication of the Circular is a NIS 364 million decrease in pre-tax comprehensive income. For further details, including the effect on The Phoenix Insurance's solvency ratio, please see immediate report dated July 3, 2022 (Ref. No. 2022-01-069297).

1.3.4. **Completion of study on retirement age and pension uptake rates**

During 2022, the Company completed a study on retirement age and pension uptake rates (hereinafter - the "Study"). The effect on the financial statements following the completion of the Company's study is a NIS 462 million increase in pre-tax comprehensive income. For further details, including the effect on The Phoenix Insurance's solvency ratio, please see immediate report dated July 3, 2022 (Ref. No. 2022-01-069297).

1.3.5. **Updating the minimum capital target**

In August 2022, The Phoenix Insurance's Board of Directors increased the minimum economic solvency ratio target - net of the transitional provisions during the Transitional Period - by 3 percentage points - from the 108% rate a 111% rate as of June 30, 2022.

Asset management

1.3.6. **Implementation of the strategy in The Phoenix Investment House (formerly - Excellence Investment House) and a restructuring**

In May 2022, binding agreements were signed between Messrs. Avner Hadad and Boaz Nagar (hereinafter - the "Managers") and another partner in KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings" and the "Minority Interests in KSM Holdings", respectively), and the Company for the execution of a statutory merger of KSM Holdings with The Phoenix Investment House. Following the completion of the merger and further actions, the Company is holding (indirectly) 88.44% of the shares of The Phoenix Investment House and the Minority Interests in KSM Holdings hold approximately 11.56% of the shares of the Investment House, of which

the share of Avner Hadad and Boaz Nagar is 7.5%. For further details, please see Note 8E. to the financial report.

Under the agreements, options arrangements were established to execute transactions, from 2026 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in the Investment House's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration from the exercise of the options by way of allocating Company shares that will be allocated as part of a private placement, subject to the Company's discretion.

In accordance with the agreement, The Phoenix Investment House focuses on the management of the Investment House's core businesses, which include the activity of KSM Mutual Funds, TASE Member, portfolio management and ESOP. Other activities were transferred from the Investment House to other The Phoenix group companies.

1.3.7. Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investments House Ltd. (hereinafter - "Investment House") entered into an agreement with Mr. Shmuel Frenkel, Flaming Star Ltd. (a wholly-owned company of Mr. Frenkel) and Mr. Lior Aviani (hereinafter, jointly - the "Sellers"), for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolio Management Ltd. The transaction was completed on February 13, 2023.

1.3.8. Partial purchase of assets under management by Psagot Investment House

In January 2023, KSM Mutual Funds Ltd. (hereinafter - "KSM") and Psagot Mutual Funds Ltd. (hereinafter - "Psagot Funds") signed an agreement where under KSM will acquire from Psagot Funds part of its mutual funds activity as part of an assets' transaction comprising assets under management of NIS 17.1 billion in consideration for NIS 260 million (hereinafter respectively: the "Funds Agreement" and the "Sold Funds"). Under the Funds Agreement, subsequent to the completion of the sale, each of the parties will be allowed to continue its activities in the funds market without any restrictions, and Psagot Funds will not be precluded from managing funds that compete with the Sold Funds. Among other things, the acquirer in the Funds Agreement shall pay the consideration by assigning to KSM a bank loan that was advanced to Psagot Funds, subject to obtaining the bank's consent. The transaction will be carried out by way of transferring funds between fund managers, and in accordance with the Joint Investments in Trust Law, 1979. As of the publication date of the report, the Competition Authority announced that it intends to assess the effects of the transaction on the competition in the sector, and therefore, it is not certain that the transaction will be completed in accordance with the detailed outline.

Furthermore, The Phoenix Investment House and Psagot Securities Ltd. (hereinafter - "Psagot Securities") signed an agreement, which is independent and unconditional of and separate from the Funds Agreement; under the said agreement, The Phoenix Investment House will acquire the entire portfolio management activity of Psagot Securities, comprising assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolio Agreement"), in consideration for NIS 50 million. The consideration in the Portfolio Agreement will be paid by way of assigning Psagot Securities' bank loan to the acquirer and/or to any entity it will instruct it to be assigned to, Subject to obtaining the Bank's consent. The Portfolio Agreement is subject to approvals as required by law, including the approval of the Israel Competition Authority. Furthermore, the parties have requested the Court to approve the agreement as an arrangement under Section 350 to the Companies Law, 1999. Accordingly, the Portfolio Agreement will only be completed after all approvals required by law are obtained. For further details, please see immediate report dated January 19, 2023 (Ref. No.: 2023-01-009285).

As of the report's publication date, the said agreements have not yet been completed. The Company's assessments in connection with the dates set for the completion of the agreements constitute forward-looking information, as defined in the Securities Law, 1968. Those assessments may not materialize or materialize in part and on dates other than those set by the Company, due to, among other things, factors beyond the control of the Company and The Phoenix group companies that enter into the agreements.

1.3.9. **Restructuring of The Phoenix Advanced Investments Ltd.**

During the reporting year, the Company took steps to hold all alternative investments of The Phoenix group under The Phoenix Advanced Investments Ltd. Accordingly, in the reporting period, various steps were taken in order to achieve the above, including: The distribution, as a dividend in kind from The Phoenix Advanced Investments Ltd. of Quality Pension Insurance Agency (2017) Ltd., and 16% of The Phoenix Pension and Provident's shares it held, and the sale of The Phoenix IEC Central Severance Fund Ltd. (formerly - Halman-Aldubi IEC Gemel Ltd.) to the Company. Concurrently, the Company's holdings in The Phoenix Advanced Investments were transferred to The Phoenix Investments, and the holdings of The Phoenix Investments in The Phoenix Capital Ltd. (hereinafter - the "Phoenix Capital") and the Phoenix Investment Funds Ltd. (which manage the activity of alternative investment funds) were transferred to The Phoenix Advanced Investments.

1.3.10. Amendment to a Shareholders Agreement in The Phoenix Capital Ltd.

The Company has an indirect 65% stake in The Phoenix Capital, which is engaged in the establishment, management and distribution of alternative investment funds. The Phoenix Capital's activity constitutes a part of the Company's strategic plan to achieve growth in the area of investment management in general, and in the area of establishing, management and distribution of alternative investment funds in particular.

The remaining holdings in The Phoenix Capital are held by Safra Consultation and Investments Ltd. (hereinafter - "Safra"). The parties have in place a shareholders agreement that regulates the management of The Phoenix Capital.

In June 2022, the parties signed an addendum to the agreement, which made - as part of the implementation of the Company's strategic plan - changes to the decision-making processes in The Phoenix Capital, such that decisions are made based on the parties' stake in the company, in contrast to the decision making processes prior to the changes whereby decisions were made jointly. As a result of the said amendment, the Company changed the recording of its holding in The Phoenix Capital from joint control to control and recorded a post-tax NIS 86 million one-off earning from assuming control.

For further details, please see immediate report dated July 28, 2022 (Ref. No.: 2022-01-078765).

Credit activity

1.3.11. Consumer credit

In the reporting year, the Company continued the setting up of consumer credit activities in The Phoenix group. As part of this, the Company signed - in January 2023 - a memorandum of understanding for the setting up of a joint venture with Isracard Ltd., which did not come to fruition. In that context, the Company is considering its future actions in connection with the engagement in the memorandum of understanding and the exhaustion of its rights in respect of the damages it will suffer vis a vis Isracard Ltd. For further details, see immediate reports dated January 2, 2023, and March 5, 2023 (Ref. Nos. 2023-01-000874 and 2023-01-019777, respectively).

The distribution activity

1.3.12. Restructuring - The Phoenix Agencies

In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd. (hereinafter - "Agam Holdings"), a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 79.412% of the shares

of The Phoenix Agencies, Hagoz (2015) Ltd. (hereinafter - "Hagoz"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "Y.H.G Sasson"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "Agam Israel"), which runs the agency's pension and provident activity. The completion of the merger is subject to the fulfillment of all conditions precedent, including the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance [New Version], other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. For further details, see Section 2.7.1 to the Report on the Company's Business and immediate report of December 29, 2022 (Ref. No.: 2022-01-124026).

1.4. Further developments in the reporting period:

1.4.1. Exercise of an option as part of the engagement with "El Al Frequent Flyer Ltd."

For information regarding the exercise of the option that was awarded as part of the engagement, for the provision of a loan by The Phoenix Insurance to El Al Frequent Flyer Ltd. through the nostro funds, see Section 4.4.4.6 to the Report on the Company's Business and immediate reports dated June 23, 2022, and September 13, 2022 (Ref. Nos.: 2022-01-077968 and 2022-01-094686).

1.4.2. Investment in a new company in the field of property and casualty insurance

In September 2022, a subsidiary controlled by the Company entered into an agreement with Mr. Uri Omid (who has background and experience in the field of insurance) (hereinafter - the "Entrepreneur"), where under the subsidiary shall make a financial investment in a new company which is controlled by the Entrepreneur (hereinafter - the "New Company"), and which will engage in the field of property and casualty insurance, subject to receiving an insurer license in accordance with the Financial Services Supervision Law (Insurance), 1981. For further details, please see the Bank's immediate report dated September 18, 2022 (Ref. No.: 2022-01-118753).

1.4.3. Updating the targets of the multi-year strategic plan

In December 2020, the Company's Board of Directors decided to adopt a multi-year strategic plan for the Company and its Group subsidiaries - The Phoenix with a Look Ahead - based on joint work with the Company's management and work teams, in collaboration with an international consulting firm specializing in strategy and restructuring. In March 2022, the Company updated the targets of the multi-year strategic plan. For further details, please see Chapter 4 of the Report of the Board of Directors.

1.4.4. **Dividend distribution policy and actual dividend distribution**

In 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. For further details, please see the Company's immediate report dated October 28, 2020 (Ref. No. 2020-01-107812).

On March 28 2022, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.

It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide not to distribute a dividend, or to distribute a dividend at rates that vary from the above, as it deems appropriate at any given time, subject to the provisions of the law.

Actual dividend distribution

In 2021, the Company distributed a cash dividend of NIS 621 million.

In August 2022, the Company distributed a NIS 160 million interim dividend on account of the Company's 2022 profits (hereinafter - the "Interim Dividend").

Subsequent to the report date, on March 22, 2023, concurrently with the approval of the Company's Financial Statements as of December 31, 2022, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 177 million. Total amount in dividend distributed in cash in respect of 2022 including the interim dividend as stated above is NIS 337 million. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31, 2022, which are included in this Periodic Report, the Company has positive retained earnings of

approximately NIS 7,836 million, taking into account the NIS 177 million dividend, as stated in this section.

1.4.5. **The Company's share buyback plan**

In August 2021, the Company's Board of Directors approved a share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "Plan for 2021"). As part of the Plan for 2021, the Company made buybacks totaling approx. NIS 55.8 million.

In January 2023, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "Plan for 2023"). As part of the Plan for 2023, the Company made - as of the Report publication date - buybacks totaling approx. NIS 6.3 million.

1.4.6. **Option plans for employees and officers**

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "Options") to employees, officers, and service providers of the Company and companies under its control.

In January 2022, the Company's Board of Directors approved the award of up to 4,883,593 options to employees and officers of the Company and its subsidiaries, exercisable into up to 4,883,593 ordinary shares of the Company NIS 1.00 par value each, subject to adjustments, without cash consideration. The award of options to the Company's CEO was approved in an extraordinary general meeting of the Company on March 8, 2022. For further details, see Note 37 to the Financial Statements and immediate reports dated February 1 2022 and March 9 2022 (Ref. Nos. 2022-01-012510, 2022-01-012513 and 2022-01-028288, respectively).

1.4.7. **ESG**

In June 2022, the Company published an ESG report for 2021. The report was published on the Company's website and on the websites of the TASE and the Israel Securities Authority. To view the full report, as published on the Company's website, see the Company's website at: https://www.fnx.co.il/sites/docs/genery/for_new_site/esg/fnx-full-esg-2021-eng.pdf.

Furthermore, the Company revised its investment policy in accordance with the Institutional Entities Circular No. 13-9-2021 of the Capital Market, Insurance and Savings Authority, which requires that the overall investment policy, that is determined by the Group, will set an investment policy in relation to ESG considerations, which are relevant for the performances of the investment portfolio and, which might affect them. For more information in connection with the investment policy, see the Company's website at: https://www.fnx.co.il/sites/docs/genery/for_new_site/mashkiim/Responsible-Investments2023-En.pdf?tag=ESG%2520Reports.

In July 2022, Maala published its 2021 index, in which the Company's overall rating improved from Gold to Platinum, and it was awarded an A rating in the ESG index published by the TASE; in August 2022, the Company's 2021 Greeneye ESG rating upgraded to 77/100.

1.4.8. **The Company's preparation for the application of IFRS 17**

The Company continues to prepare for applying IFRS 17 (hereinafter - the "Standard"), in the Financial Statements of the Company and The Phoenix Insurance as from the quarterly and annual periods beginning on January 1, 2024, in accordance with the roadmap revision paper published in September 2022 by the Capital Market, Insurance and Savings Authority (hereinafter - the "Roadmap").

As part of the implementation of the Standard and in accordance with the Roadmap that was published by the Commissioner, during the reporting period the Company completed the following:

1. A general review as to the planned scope and timing of the audit, that the Company's independent auditors are expected to conduct.
2. Transferring a document describing the methodology used to calculate the risk adjustment.
3. Transferring the results of a quantitative test, and theoretical background about the measurement of the fair value of insurance contracts for a number of selected portfolios, based on December 2021 data.

The Company continues its preparations for the implementation of the standard, including, among other things, through reviews and training sessions to the Balance Sheet Committee in connection with the implementation of the standard. For further details, please see Note 2(ff) to the Periodic Report.

1.4.9. **Officers**

For further details regarding changes in the composition of the Board of Directors and officers of the Company – see Note 42 to the Financial Report.

1.4.10. **Liability insurance for board members and officers**

For details regarding liability insurance for the Company's board members and officers, see Section 1.3.27 to the Report on the Company's Business.

1.4.11. **Rating**

Midroog

- A. On January 17, 2022, Midroog announced it was reiterating the rating of Series 3, 4, 5 and 6 bonds at Aa3.il, and altering the outlook from stable to positive.
- B. On September 8, 2022, Midroog announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company at Aa3.il, with a stable outlook.
- C. On January 19, 2023, Midroog announced it assigns the Company an issuer rating of Aa2.il with a stable outlook, and upgrades the rating of the Company's bonds from Aa3.il with a stable outlook to Aa2.il with a table outlook.
- D. On January 23, 2023, Midroog announced it has rated the extension of up to NIS 150 million of Series 6 a bonds issued by the Company at Aa2.il, with a stable outlook.

Maalot

- A. On September 8, 2022, S&P Maalot announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company by way of private placement at ilAA.
- B. On November 2, 2022, S&P Maalot announced the ratification of an ilAA- rating for the Company and an AA+ rating for The Phoenix Insurance.
- C. On January 23, 2023, S&P Maalot announced it has rated the extension of up to NIS 150 million of Series 6 bonds issued by the Company at ilAA-.

1.5. Shelf Prospectus and Debt Raising:**1.5.1. Publication of a Shelf Prospectus**

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022, and is valid through August 23, 2024. For further details, please see immediate report dated August 23, 2022 (Ref. No.: 2022-01-107443).

1.5.2. Issuance of Series 6 bonds and early redemption of Series 3 bonds

In January 2022, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. The issuance proceeds were used by the Company to execute a full early redemption of Series 3 bonds in the total amount of NIS 283,770 thousand, which was implemented on January 18 2022. For further details, please see Note 27E to the Financial Statements to the Financial Statements and the Company's immediate reports dated December 9 2021, January 11 2022 and January 18 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 2022-01-008097).

1.5.3. Private placement of Series 4 Bonds

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed for trading on the Tel Aviv Stock Exchange Ltd. The bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. For further details, please see immediate report dated September 11, 2022 (Ref. No.: 2022-01-093804).

1.5.4. Issuance of further Series 6 bonds by the Company by way of series expansion**Extension of Bonds (Series 6)**

In January 2023, subsequent to the report date, the Company issued - by way of expansion - further Series 6 bonds of up to NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 thousands.

The Series 6 bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

1.5.5. **Listing of restricted Tier 1 capital of The Phoenix Insurance**

In August 2021, The Phoenix Insurance completed - through The Phoenix Capital Raising (2009) Ltd. (hereinafter - "**The Phoenix Capital Raising**") an issuance of subordinated bonds to institutional entities and to the Company. The subordinated bonds were recognized by the Commissioner as an Additional Tier 1 capital instrument of The Phoenix Insurance and listed by The Phoenix Capital Raising for trade on the TACT Institutional trading platform operated by the TASE.

The Phoenix Capital Raising has recently arranged the terms for the listing the subordinated bonds for trade on the main list of the TASE, as set out in Section 3.2.6 to the deed of trust published by The Phoenix Capital Raising; the latter is in the final stages of listing the subordinated bonds for trade on the main list; on March 22, 2023, The Phoenix Capital Raising received the TASE's approval for the listing, but the Israel Securities Authority's approval for the listing has not yet been received. As part of the listing process, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date. For more information in connection with the issuance of the subordinated bonds, see the Company's immediate reports dated August 2, 2021, August 3, 2021, and August 8, 2021 (Ref. Nos.: 2021-01-060658, 2021-01-061159, and 2021-01-062515).

The above-mentioned information in connection with the completion of the listing of the subordinated bonds in the primary trading list constitutes forward-looking information, as defined in the Securities Law, 1968, and is based on information available to the Company and its assessments as of the date of this report. Such information and assessments may also not materialize, due to factors that are unknown to the Company and The Phoenix Insurance as of the date of this report and are not under their control, including, among other things, failure to complete the listing of the subordinated bonds in the main list, etc.

2. Description of the Business Environment

2.1. Implementation of the Economic Solvency Regime provisions applicable to The Phoenix Insurance Company Ltd.

2.1.1. Provisions regarding the implementation of the Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Economic Solvency Regime"), which was published on October 14, 2020. The Economic Solvency Regime is a regulatory directive that regulates capital requirements and risk management processes among insurance companies. The Economic Solvency Regime sets a standard model for calculating eligible capital and the regulatory solvency capital requirement, with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's economic shareholders' equity recognized for solvency purposes and the required capital.

2.1.2. Increasing economic capital according to the transitional provisions

The Phoenix Insurance opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet, including the risk margin attributed thereto (net of the difference between the fair value and the carrying amount of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032. The deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period. In accordance with the provisions of the Economic Solvency Regime, the Deduction during the Transitional Period will be recalculated two years after it was calculated for the first time, and in the instances referred to in the provisions of the Economic Solvency

Regime. In view of material changes in the interest rate curve, the implementation of a research on retirement age and pension uptake rates (hereinafter - the "Research"), and the revision of the set of demographic assumptions and of the mortality improvements model for insurance companies and pension funds (hereinafter - the "Circular"), which took place in the period from December 31, 2021 and June 30, 2022, The Phoenix Insurance believed that the conditions for recalculation of the deduction during the Transitional Period are met as of June 30, 2022 (after obtaining the Commissioner's approval). As of June 30, 2022, The Phoenix Insurance's solvency ratio is 202% including the implementation of the transitional provisions, and 137% without the implementation of the transitional provisions. The amount of deduction during the Transitional Period that was calculated as of June 30, 2022 and approved by the Banking Supervision Department is approx. NIS 3,554 million; this amount matches the expected increase rate in The Phoenix Insurance's capital surplus during the Transitional Period, and reflects, at the very least, the expected expiry of the solvency capital requirements (SCR) and the risk margin of the existing portfolio as of the calculation date. For more information, see Section 2A(2) to The Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2022.

2.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of June 30, 2022 was published at the same time as the Financial Statements as of the third quarter, on November 29, 2022 and was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 of the Consolidated Circular, according to Circular 2020-1-17 (hereinafter - the "Disclosure Provisions"). In accordance with the Consolidated Circular, the economic solvency ratio report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

2.1.4. Economic solvency ratio and minimum capital requirement (MCR) as of June 30, 2022:

Set forth below are details regarding the economic solvency ratio as published in the latest economic solvency ratio report published by The Phoenix Insurance. The meaning of the terms in this section is the same as in Appendix B to Chapter 2 in Part 2 of Section 5 of the Consolidated Circular - "Economic Solvency Regime".

A. Economic solvency ratio:

	June 30, 2022	As of December 31, 2021
	Unaudited and unreviewed	Audited*
	NIS thousand	
Shareholders equity in respect of SCR	14,471,436	14,212,110
Solvency capital requirement (SCR)	7,156,530	7,666,458
Surplus	7,314,906	6,545,652
Economic solvency ratio (in %)	202%	185%

**Effect of material capital-related measures
taken in the period between the calculation
date and the publication date of the solvency
ratio report:**

Raising of capital instruments**	-	346,133
Shareholders equity in respect of SCR	14,471,436	14,558,243
Surplus	7,314,906	6,891,784
Economic solvency ratio (in %)	202%	190%

(*) The term "audited" refers to an independent audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

** The amount raised as of December 31, 2021 is composed of raising of Tier 2 capital at the total amount of NIS 270 million, of which NIS 8 million were not recognized, since they were in excess of the quantitative cap under the transitional provisions, and a capital injection at the total amount of NIS 84 million, which arises from the transfer of Phoenixclass Ltd. from The Phoenix Holdings to The Phoenix Insurance, net of the capital requirements. For further details in connection with the transfer of Phoenixclass Ltd., see immediate report dated May 17, 2022 (Ref. No. 2022-02-048480).

For explanations about key changes in the capital surplus and in the economic solvency ratio as of June 30, 2022, compared with December 31, 2022, see Section 1(a) to The Phoenix Insurance's economic solvency ratio report as of June 30, 2022.

Below is a link to the Economic Solvency Ratio Report on The Phoenix Insurance's website.

<https://www.fnx.co.il/en/investor-relations/reports-and-presentations/?tag=Solvency%20Reports>

B. Minimum capital requirement (MCR)

	June 30, 2022	As of December 31, 2021
	Unaudited and unreviewed	Audited*
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5A	1,835,354	1,916,615
Shareholders equity for MCR - see Section 5B	11,260,238	11,024,131

(*) The term "audited" refers to an independent audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

C. Limitations on dividend distribution and solvency ratio without the implementation of the transitional provisions

Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "Dividend Distribution Letter") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the transitional provisions and subject to the solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

The Phoenix Insurance's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve The Phoenix Insurance's ability to continue its business activity such that it is able to provide returns to its shareholders. The Phoenix Insurance is subject to capital requirements set by the Commissioner.

The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which The Phoenix Insurance seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%.

The minimum economic solvency ratio target, taking into account the transitional provisions, was set at 135%, and the minimum solvency ratio target without taking into account the provisions during the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company's capital plan. On August 24, 2022, the Board of Directors of The Phoenix Insurance increased the minimum economic solvency ratio target by 3 percentage points without taking into account the provisions during the Transitional Period - from a rate of 108% to a rate of 111%, beginning on June 30, 2022.

Therefore, based on the results as of June 30, 2022 (that are unaudited and unreviewed) as well as the audited results as of December 31, 2021, The Phoenix Insurance meets the minimum capital targets set by the Board of Directors. It is hereby clarified that the aforesaid does not guarantee that The Phoenix Insurance will meet the set capital targets at all times.

D. Solvency ratio without applying the transitional provisions for the Transitional Period, and without adjusting the shares scenario:

The following are data as published in the latest economic solvency ratio report published by The Phoenix Insurance, about the economic solvency ratio calculated without taking into account the transitional provisions and the solvency ratio target set by The Phoenix Insurance's Board of Directors, as required in the letter referred to above. As of June 30, 2022 and December 31, 2021, this ratio is higher than the target set by the Board of Directors.

	June 30, 2022	As of December 31, 2021
	Unaudited and unreviewed	Audited*
	NIS thousand	
Shareholders equity in respect of SCR	12,071,747	11,112,151
Solvency capital requirement (SCR)	8,794,180	9,818,889
Surplus	3,227,567	1,293,262
Economic solvency ratio (in %)	137%	113%
<u>Effect of material capital-related measures taken in the period between the calculation date and the publication date of the solvency ratio report:</u>		
Raising of capital instruments**	-	354,205
Shareholders equity in respect of SCR	12,071,747	11,466,356
Surplus	3,227,567	1,647,467
Economic solvency ratio (in %)	137%	117%
<u>Capital surplus after capital-related actions in relation to the Board of Directors' target:</u>		
Minimum solvency ratio target without applying the Transitional Provisions	111%	108%
Capital surplus over target	2,310,207	861,956

(*) The term "audited" refers to an independent audit held in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".

(**) The amount raised as of December 31, 2021, is composed of raising of Tier 2 capital at the total amount of NIS 270 million and a capital injection at the total amount of NIS 84 million, which arises from the transfer of Phoenixclass Ltd. from The Phoenix Holdings to The Phoenix Insurance, net of the capital requirements. For further details in connection with the transfer of Phoenixclass Ltd., see immediate report dated May 17, 2022 (Ref. No. 2022-02-048480).

E. Capital-related measures and significant updates in 2022:

1. On March 28, 2022, The Phoenix Insurance's Board of Directors approved the distribution of a NIS 500 million dividend (this distribution was taken into account in the solvency ratio as of December 31, 2021).
2. On August 24, 2022, The Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 115 million out of 2022's profits. This distribution was included in the results of the solvency ratio as of June 30, 2022.
3. These dividend distributions, which are described in Sections 1 and 2 above, were approved after the revision of the Company's capital management plan, which indicated that The Phoenix Insurance meets the minimum capital target set by the Board of Directors as of the distribution dates, net of the transitional provisions, and meet the 150%-170% target range, in which The Phoenix Insurance seeks to be during and after the Transitional Period, given the Deduction During the Transitional Period and its gradual reduction. Therefore, The Phoenix Insurance was in compliance with the requirements of the letter regarding the restrictions on dividend distribution as published by the Commissioner.
4. During the third quarter, The Phoenix Insurance raised additional Tier 2 capital at the total amount of NIS 400 million. This capital raising is above the quantitative cap for recognition as Tier 2 capital, and therefore does not affect the solvency ratio as of June 30, 2022.
5. The Phoenix Insurance conducted an estimate of its solvency ratio as of September 30, 2022; the estimate was not audited or reviewed by the independent auditor, and is based on the outcomes of a full scale simulation of actuarial calculations, calculation of market risks, credit risks and economic balance sheet as of September 30, 2022. In accordance with the results of this estimate, as of September 30, 2022, and in accordance with the results of the calculation of the solvency ratio as of June 30, 2022 (unaudited and unreviewed), on March 22, 2023, The Phoenix Insurance's Board of Directors approved the distribution of a NIS 205 million cash dividend out of the Company's 2022 profits.
6. For information about the effect of changes in the risk-free interest rate curve, see Section 2.1.5 below.

2.1.5. Sensitivity to changes in the interest curves:

Changes in the linked shekel risk-free yield curve affect the Company's economic solvency ratio, especially in the mid- to long-terms, affect The Phoenix Insurance's economic solvency ratio. During 2022, there was a substantial increase in the risk-free linked interest rate curve, has had a positive effect on The Phoenix Insurance's solvency ratio.

The following table summarizes the positive (negative) risk-free linked interest ("spot") rates:⁴

Range/years		December 31, 2021	December 31, 2022	March 16, 2023
Short term	1-3	Between (2.39) % and (2.55) %	Between 0.68% and 0.86%	Between 1.32% and 1.17%
Mid-term	4-10	Between (2.23) % and (1.26) %	Between 0.88% and 0.86%	Between 1.08% and 1.04%
Mid-long term	11-15	Between (1.11) % and (0.64) %	Between 0.88% and 0.97%	Between 1.04% and 1.04%
Long term	16-25	Between (0.54) % and 0.01 %	Between 1.00% and 1.10%	Between 1.04% and 1.06%

⁴ The risk-free linked interest rate curves were taken from Fair Spread Ltd. To calculate the solvency ratio, the Company takes into account other components in addition to the risk-free interest rate.

The Phoenix Insurance estimated the sensitivity of the economic solvency ratio at a 50 bps decrease in the risk-free interest, after applying the transitional provisions, and including adjusting the stock scenario; the estimation was carried out based on the data and results of the calculation of the economic solvency ratio as of December 31, 2021. The estimation resulted in a 18% decrease in the economic solvency ratio (after applying the transitional provisions and adjusting the stock scenario).

It should be noted that the sensitivity is not necessarily linear; i.e., sensitivity at other rates is not necessarily a simple extrapolation of the sensitivity test presented.

For the results of the sensitivity tests of the economic solvency ratio to various risk factors, see Section 8 to The Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2021.

2.2. **Arrangements in force**

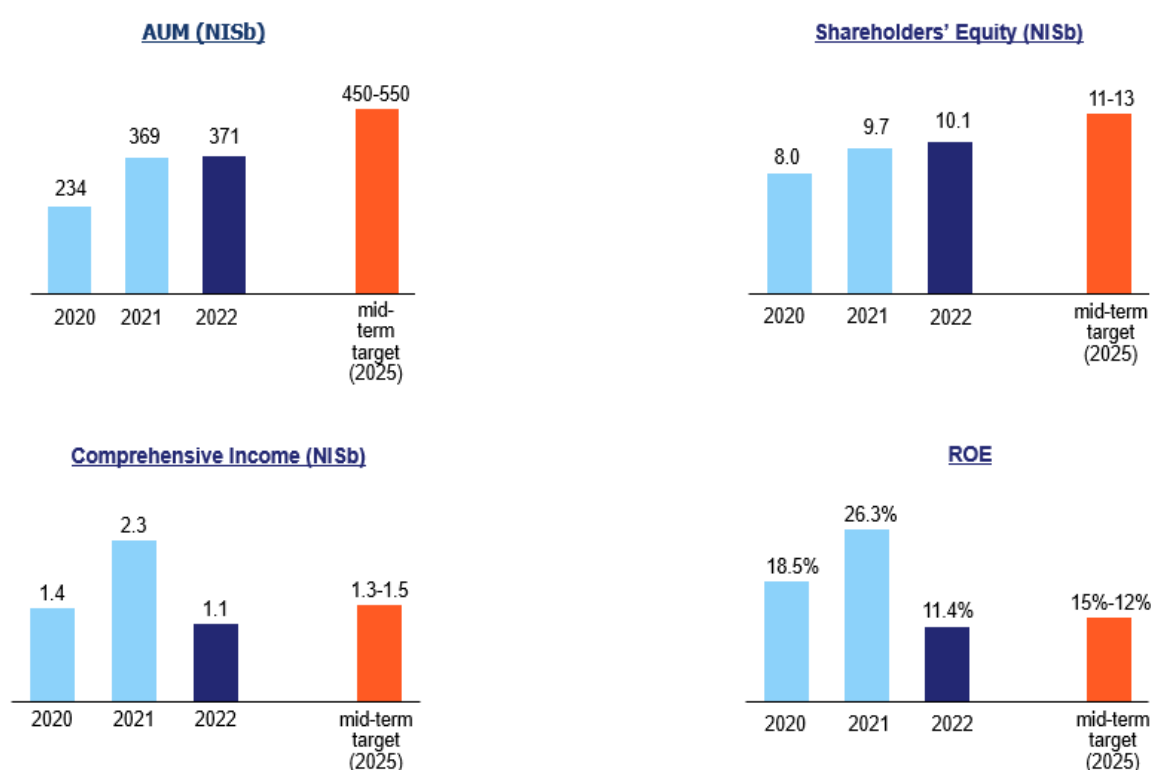
Please see Section 4.1.1 in the Report on the Company's Business.

3. **Developments in the Macroeconomic Environment**

Please see Section 4.4.5 in the Report on the Company's Business.

4. Business Targets and Strategy

- 4.1. The Group's business strategy and targets constitute forward-looking information, as defined in Section 32A of the Securities Law, and are based on the data and information available to the Group as of the report date, its plans as a result thereof, the market situation and the Group's position. The Group's business strategy and targets may change from time to time. In addition, the achievement of the Group's targets and strategy is uncertain and is not under the sole control of the Group. The Group's business strategy and targets may not materialize due to, among other things, changes in the Group's priorities, new needs of the Group, market developments, macro changes, other business opportunities, etc.



The multi-year strategic plan - which was approved in December 2020 - is based on four fundamental value generators: yield-focused growth, technological innovation and efficiency, effective management and maximization of the portfolio's value and capital management, all of which are relevant to the group's growth drivers: insurance, financial assets management, distribution and credit. Since the publication of the plan, the Company has acted consistently to implement and execute it. The Company reviews its targets from time to time in the light of its achievements and market conditions; accordingly, in March 2022, the Company's Board of Directors adopted an update to the strategic plan (hereinafter - the "Strategic Plan"), as part of which the Company's targets for the plan's period were updated as described in the chart below.

(*) Upon completion of the transactions for the acquisition of the Epsilon investment house and the purchase of assets from the Psagot investment house, subject to receipt of the approvals as required by law and the completion of the transactions, assets totaling approx. NIS 28 billion will be added, such that in total Company's assets under management will amount to NIS 399 billion, based on the amount of assets under management as of December 31, 2022.

The interim targets are based on (a) multi-year work plans for a 5-year period (from its approval date); (b) an assumption of net return on investment of 3% (including linkage to the CPI). Compared to the plan's objective, actual results are based on the actual returns in the financial markets in Israel and around the world, macroeconomic growth, and other variables. For the Company's actual results taking into account a 3% return, see Sections 5.4-5.7.

Set forth below is a short summary of the Company's four value generators, on which the strategic plan is based:

4.1.1. Yield-focused growth

As part of the plan, The Phoenix opted to focus its resources on growth in products generating high return on equity, and products that do not require the entity to hold significant capital, such as car insurance products in the property and casualty insurance subsegment, critical illness insurance in the health insurance subsegment; the financial products in the long-term savings, pension and provident segment; investment products of the Investment House; development of alternative investment products for qualified and unqualified customers; organic and inorganic growth in Group's agencies; increasing the market share in the SMART direct distribution channel while maintaining profitability; in the credit segment - in Gama, as a leading actor in the field of provision of credit to SMEs, and in the kick-starting of consumer credit activity. The growth in these areas can be achieved both by way of organic growth and by way of M&As.

As part of updating the strategic plan in March 2022, The Phoenix has set itself a new growth target whereby it will reach NIS 450-550 billion in total assets under management (50%) for the duration of the plan, while maintaining the return on equity targets of 12-15%.

The Company is operating and will operate in the future to meet this target, including through:

- Growth in the pension, provident and investment policies products. In January 2022, The Phoenix Insurance launched new investment tracks in collaboration with the international investment fund BlackRock, as part of its investment policies. The Company takes steps to expand the collaboration with BlackRock and host other BlackRock investment tracks in a range of investment channels.
- Growth in all product lines in the Investment House, and specifically in KSM, the mutual funds, and managed accounts. In 2022, the Investment House entered into a transaction for the purchase of the Epsilon investment house, with assets under management amounting to NIS 5 billion; the Investment House also entered into two transactions with the Psagot

investment house; the first transaction entails the purchase of the asset management businesses with assets under management of approx. NIS 8 billion, and the second transaction entails the purchase of some of the mutual funds with assets under management of approx. NIS 17 billion (in the purchased portions). The Investment House also takes action to improve infrastructures, digitization and customer experience. For more information, see Sections 1.3.7 and 1.3.8 above.

- Growth in the alternative investments activity, including, among other things, by developing an infrastructure that supports growth.
- Accelerating the organic growth in the agencies held by the Group, and acquiring further insurance agencies, digitizing and implementing IT systems to improve customer and agent's experience, and increasing profits by relying, among other things, on economies of scale. In this context, it should be noted that during the reporting year, the Company acquired several other agencies through agencies that are under its control.
- In the credit segment - accelerating the growth of Gama's credit portfolio, including, among other things, by expanding the product mix offered to SMEs. For information about other activities in the Group's credit segment, see Section 2.6 to the report - description of the corporation business.

4.1.2. **Technological innovation and efficiency**

The Phoenix aims to invest in technological innovation as a strategic tool to improve the customer and agent experience, to increase profitability, and to create a competitive advantage over its competitors. This will be achieved, among other things, by:

- Implementing innovative processes - collaborations with startups, innovative intra-organizational initiatives, venture capital investments in startups, and establishing an accelerator for development of growth engines.
- Data infrastructure - setting up advanced data and artificial intelligence systems in 2022, that will promote data-based analytical models in the fields of sales, pricing, underwriting and claims, segmentation of Company's customers and creating suitable work processes, and modernizing infrastructures and developing open platforms that will accelerate technological innovation.
- Digital - accelerating the Company's digital transformation by, among other things, focusing on promoting automation and streamlining processes and using advanced digital tools in several business areas of the Company, as well as implementing an Agile-based work model to significantly improve the shortening of work processes and their efficiency;

As part of the revision of its strategic plan in March 2022, The Phoenix has set itself a revised Group profitability target reflecting an increase of 30-50% in comprehensive income to NIS 1.3-1.5 billion over the plan's period.

The Company is operating and will operate in the future to meet this target, including through:

- Increase in profitability of the motor insurance subsegment by, among other things, implementing a data and AI-based model for improved underwriting and accurate pricing.
- Increasing efficiency and savings in annual expenses, with an emphasis on the pension and provident activities, by process streamlining, digitization and automation. In 2022, the merger of Halman Aldubi Provident's pension and provident funds activity with and into The Phoenix Pension and Provident Fund was completed, activities were consolidated and organizational units were cut. The Company plans to continue streamlining and utilizing synergies in these areas, as well as in other aspects of the Company's operating activities.
- In its direct channel - Phoenix SMART - focusing on optimizing the digital customer experience and rendering optimal service; the Group also focuses on digital marketing and automation, creating an analytical pricing and marketing model as well as cross selling.
- Improving services and customer experience - the Phoenix is committed to streamlining work processes vis a vis Company's customers and the agents that sell its products, and making them more accessible; this will be reflected in shorter waiting time, simpler wording, transparency and the customization of the Company's products and services to the needs of its customers. The Company was ranked first in six out of the twelve categories assessed in the annual satisfaction survey conducted by the Ministry of Finance in 2022. The Company aims to continue to excel in its dealings with its customers in future years.

As part of the revision of its strategic plan in March 2022, The Phoenix has set itself a revised equity increase target reflecting an increase of 20-40% in equity to NIS 9-11 billion over the plan's period, subsequent to the dividend distribution according to its policy.

The Company is operating and will operate in the future to meet this target, including through:

4.1.3. **Maximizing the portfolio**

The Phoenix acted during the reporting year, and will continue to, generate and unlock value by managing the Group's assets in an active and yield-focused manner while focusing on the Group's core areas of activity and assets.

- Restructuring of the organizational structure of the Investment House and appointing of a strong management that will lead and implement its strategy in the next few years. As part of its implementation of the strategy, the Investment House made a number of acquisitions as described above.
- Restructuring the organizational structure of The Phoenix Construction Financing Ltd. in order to maximize value and achieve growth in its activity.
- Merger of Agam Holdings into The Phoenix Agencies and restructuring The Phoenix Agencies' holdings structure. Subsequent to the completion of the merger, The Phoenix Holdings will hold 79.5% of The Phoenix Agencies, and the Oz and Sasson group will hold 20.5%. As part of the reorganization, Mr. Yitzhak Oz will be appointed acting Chairman of The Phoenix

Agencies. As part of the reorganization, The Phoenix Agencies' strategy was revised, and an ambitious work plan was formulated to enhance the Company's leadership in the insurance agency market in Israel and to possibly include an additional investor in The Phoenix Agencies. It should be noted that in February 2023, the Economic Plan Law memorandum was published, which may adversely affect the implementation of the aforesaid plan. For further details, please see Section 2.7.7.2.12 to the Report on the Company's Business.

4.1.4. **Capital management.**

As part of its strategic plan, The Phoenix works to reduce dependency on market volatility and interest rate environment on the one hand, and reach capital levels which comply with solvency capital requirements on the other hand. The Phoenix reduces fluctuations in its profits by, among other things, improving the balancing out of assets and liabilities, improving the hedging of the interest rate risk and optimizing old insurance portfolios, including, among other things, through reinsurance solutions and the implementation of advanced data models. In addition, the strategic plan supports enhancing and streamlining the capital base and building the economic capital.

- The Phoenix Insurance continues to take steps to improve its financial strength in accordance with the requirements of the Solvency II-based Economic Solvency Regime. As of June 30, 2022, The Phoenix Insurance's economic solvency ratio is 202% including the implementation of the transitional provisions. During the reporting period, The Phoenix Insurance increased its economic solvency ratio without the implementation of the transitional provisions from 117% as of December 2021, to 137% as of June 2022. The Company also increased the minimum target for dividend distribution from 108% to 111%.
- In May 2022, The Phoenix Insurance issued - through The Phoenix Capital Raising (2009) Ltd. an Additional Tier 2 capital instrument totaling approximately NIS 293 million by way of expanding Series K of The Phoenix Capital Raising - recognized as capital requirements under the Economic Solvency Regime, in order to strengthen its capital and improve its solvency ratio. For further details, please see Note 27(e) to the Financial Statements.
- In July 2022, The Phoenix Insurance issued - through The Phoenix Capital Raising, by way of issuing the new Series M and expanding Series K of The Phoenix Capital Raising - an Additional Tier 2 capital instrument at the total amount of NIS 400 million par value. For further details, please see Note 27(e) to the Financial Statements.
- The Company is operating and shall continue to operate to achieve a dynamic and risk-adjusted management of its investments and at the same time it is taking steps aimed at strengthening the capabilities of the investments function, recruiting high-quality personnel, improving infrastructures, and building investment capabilities abroad.

4.2. **ESG**

The Company considers the ESG field to be of great importance, and as part of the update of the strategic plan, a work plan was approved that includes the following components:

- Investing in environmental protection by taking into account environmental considerations when making investment decisions;
- Identifying global warming risks and promoting products and services of value to the environment and carrying out organizational actions to mitigate adverse impacts on the environment;
- Responsible employee management through diversity, promotion and caring, boosting digitization processes to improve service to customers, agents and business partners, and strengthening our involvement in the community;
- Acting responsibly and transparently with our stakeholders, under high corporate governance standards, an ethical code and implementing them.

In 2022, the Company published its first ESG report, was ranked for the first time in an international index (S&P ESG Index), was upgraded to a platinum rating by the Maalot rating agency and launched for the first time an ESG investment policy paper that incorporates ESG considerations into the Company's overall investment policy.

The Company will continue to implement the work plan and act to incorporate ESG considerations in its operating activities, both in the products it markets and in the investments it makes, under close monitoring of the subcommittee set up for this purpose in the Company's Board of Directors.

5. The Board of Directors' Explanations for the State of the Corporation's Business

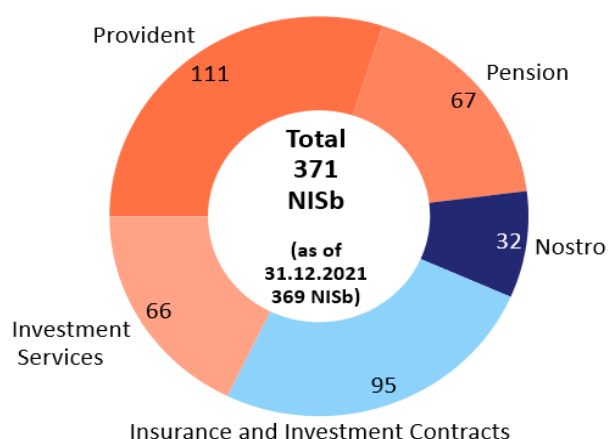
5.1. General

The Group's operations are affected by constant changes in regulations and regulatory reforms. In addition, as the controlling shareholder of institutional entities, the Group must also deal with the minimum capital requirements that apply to the activity of the institutional entities, which impose, among other things, restrictions on dividend distribution by the institutional entities.

The Group's operations and results are significantly affected by the capital markets, including, among other things, the low-interest environment that has implications for its insurance liabilities and on the returns embodied in the Group's financial asset portfolios, and consequently - on the management fees and financial margins from investments as well.

5.2. Summary of data from the Group's consolidated Financial Statements

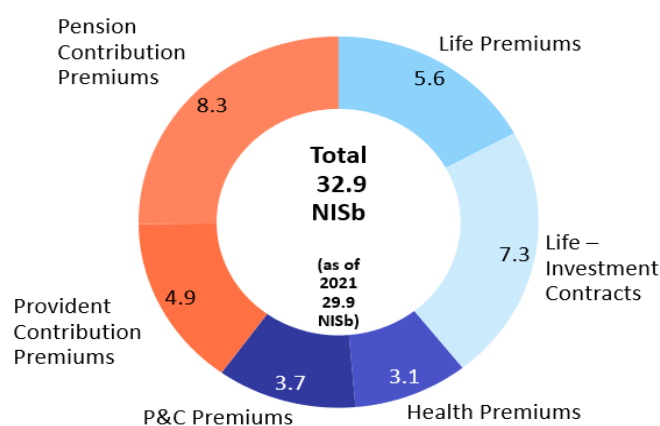
Assets under management as of December 31, 2022,



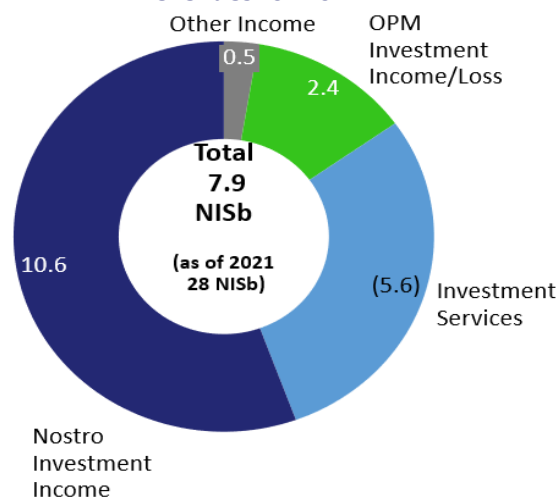
Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, mutual funds, and customers' investment portfolios are not included in the Financial Statements. Proceeds in respect of investment contracts are not included in premiums; rather, they are charged directly to liabilities in respect of insurance contracts and investment contracts.

For further details on the premiums in the various operating segments, please see Note 3 to the Financial Statements.

Premiums, gross, contributions towards benefits and proceeds in respect of investment contracts for 2022.

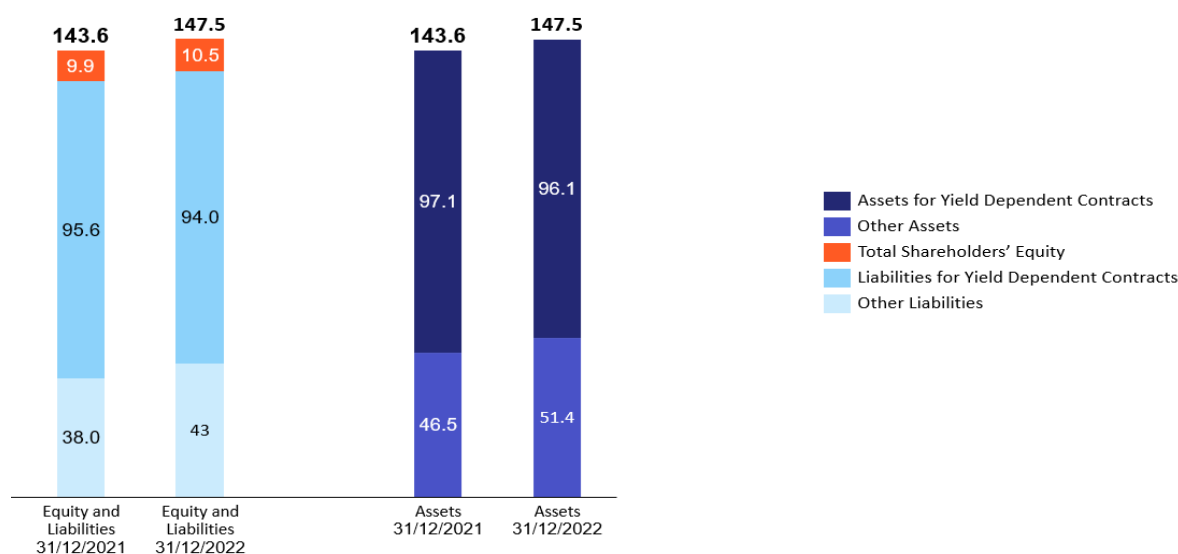


Revenues for 2022



5.3. Description of the development of the Group's financial position

Set forth below are key data from the consolidated balance sheets (in NIS billion):



Assets:

Total financial assets in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of December 31, 2022, amounted to approximately NIS 96.1 billion, compared to approximately NIS 97.1 billion as of December 31, 2021. The decrease in assets is mainly due to slumps in financial markets in Israel and around the world during the reporting period, offset by the increase in life insurance premiums in the relevant products, and proceeds of investment contracts in the reporting period.

Other assets as of December 31, 2022 amounted to NIS 51.4 billion, compared with NIS 46.5 billion as of December 31, 2021.

Liabilities:

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approximately NIS 94.0 billion as of December 31, 2022, compared to approximately NIS 95.6 billion as of December 31, 2021. The decrease in liabilities for insurance contracts and yield-dependent investment contracts is mainly due to slumps in financial markets in Israel and around the world during the reporting period, offset against life insurance liabilities in the relevant products, and proceeds of investment contracts in the reporting period.

Other liabilities as of September 31, 2022 amounted to NIS 43 billion, compared with NIS 38 billion as of December 31, 2021.

The increase in other assets and liabilities stems, among other things, from Excellence's (a Company subsidiary) performance of spread transactions involving financial instruments; the said transactions are presented at fair value through profit or loss. Those transactions are presented in the Company's books of account at their gross amount. Spread transactions include derivatives, underlying assets,

credit and deposits, which are managed by the Company as a single financial transaction, whose purpose is to fix the spread with no exposure to market risk or third party credit risk. These transactions are normally conducted with banking corporations with a maximum ILAAA rating, in dedicated accounts that the bank may offset against one another. As of the financial statements date, the income generated from the said spread transactions is immaterial.

In view of the increase in this activity, the Company is currently assessing the option of entering into an agreement with the bank in connection therewith; such an agreement will be in line with the transaction's characteristics as a single transaction settled on a net cash flow basis.

5.4. **Description of the development of the Group's comprehensive income**

5.4.1. **General**

5.4.1.1. At each reporting period, the Company reviews its sources of income, according to the segments breakdown, as outlined in Section 5.4.2 below. The Company also reviews its profitability by separating operating profit which assume a real return of 3% net (less bonuses to employees and managers from excess returns) and gain from capital market effects above or below a real return of 3%, effects of the interest rate curve changes and other special items as described below.

5.4.1.2. Special effects are considered by the Company as changes in profit or loss outside the Company's ordinary course of business, including actuarial changes as a result of studies, and changes in actuarial models, exceptional effects due to structural changes and exceptional purchase expenses following the implementation of the strategy of increasing the market share in the (hereinafter - "Special Items").

5.4.1.3. In the health insurance and in property and casualty insurance segments, the profitability analysis is based on a breakdown to underwriting profits, which assumes a real return of 3%, and earnings stemming from capital market effects (hereinafter - the "underwriting profits"), which include income from nostro investments above or below a real return of 3%, the effect of the change in the interest rate curve and other Special Items.

As from the financial statements as of March 31, 2022, the Company takes into account a 3% real return for analysis purposes in the health insurance subsegment also on its LAT reserve for the individual long-term care subsegment; the Company reclassified its comparative figures.

As from the financial statements as of June 30, 2022, the Company separates - for analysis purposes - the UGL component (excess value of illiquid assets) in the property and casualty insurance segment from its underwriting profits, and classifies it to interest effects. The Company reclassified the comparative figures.

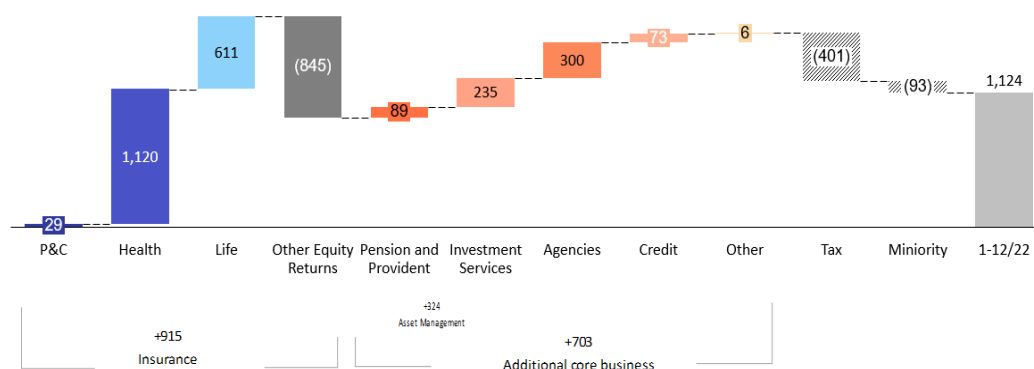
5.4.1.4. In the life insurance and savings segment, the profitability analysis is based on a breakdown to underwriting profits - which assumes a real return of 3%, including income from variable management fees in the profit participating portfolio, fixed management fees and a financial margin in guaranteed return policies, which assumes said return both

for the free portion and non-free portion of the portfolio, after offsetting return credited to policyholders, and earnings stemming from capital market effects, which include income from nostro investments and management fees calculated above or below a real return of 3%, the effect of the interest rate curve, including changes in the K factor, and other Special Items.

5.4.1.5. In order to separate the financial results between profits attributed to insurance and profits arising from other core activities, the Company splits the "other" segment. The split is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

The Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve (see Note 3 to the financial statements). This allocation may have an effect on investment income allocated to the different segments. Financial liabilities that serve the Company's equity requirements and finance expenses in respect thereof are not allocated to the operating segments. In the capital segment, the financial margin arises from investment income, with a 3% real return assumption, net of actual finance expenses.

5.4.2. **Following is an analysis of the Company's financial performance by segment for the reporting year, compared to the previous year (in NIS million, before tax):**

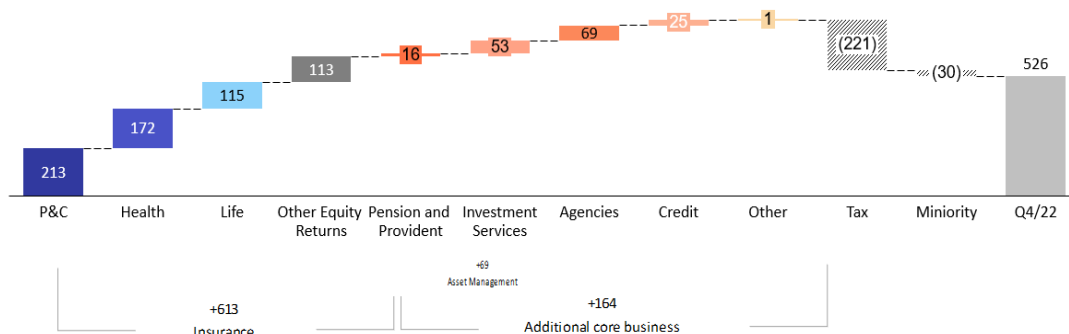


1-12/2021	485	8	1,535	467	49	113	272	257	48	(859)	(59)	2,316
Diff	(456)	1,112	(924)	(1,312)	40	122	28	(184)	(42)	458	(34)	(1,192)

(*) Pension and provident - the Company decided to launch a new operating segment - "asset management - pension and provident" as from December 2021.

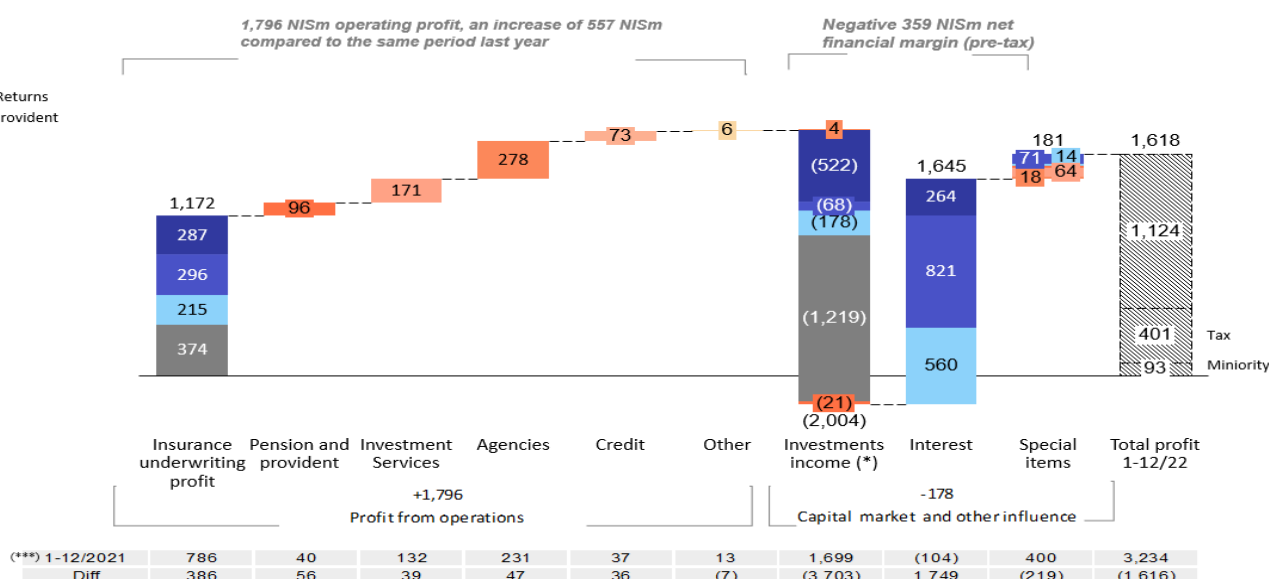
For the effects on the results at the segment level, please see details in Sections 5.6-5.7 below.

Set forth below is an analysis of the Company's financial performance by segment in the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS million, before tax):



Q4/2021	26	(172)	669	360	5	18	99	11	2	(241)	(18)	759
Diff	187	344	(554)	(247)	11	35	(30)	14	(1)	20	(12)	(233)

5.4.3. Following is an analysis of the sources of the Company's pre-tax income by operating profit and gains from capital market effects and special items for the year ended December 31 2022 (in NIS million):



(***) 1-12/2021	786	40	132	231	37	13	1,699	(104)	400	3,234
Diff	386	56	39	47	36	(7)	(3,703)	1,749	(219)	(1,616)

(*) See Section 5.4.1.

(**) For information about the Special Items at segment level, see Section 5.4.4, and results at segment level in Sections 5.6-5.7 below.

(***) Reclassified.

Operating profit after deducting effects of the capital market, special Items and interest increased by NIS 557 million in the reporting year compared to last year; for information about the effects on segment-level results, see Sections 5.6-5.7 below.

In the reporting period, the nominal return from nostro investments was 1.9%, and the real return in the reporting year was (3.2%). After transferring annual real return of 3%, and an amount in respect of variable management fees, which is calculated based on the said real return, the negative effect of the capital market after the said deduction is NIS 2.004 million, see Section 5.4.1 regarding the review of sources of profit.

Total decrease in investment income (in excess of real return of 3%) in the reporting year compared to the corresponding period last year amounted to NIS 3,703 million. The said decrease is in respect of the change in investment income, which decreased in the reporting year by NIS 3,005 million compared to the corresponding period last year (in excess of real return of 3%), in view of the slumps in financial markets in Israel and globally, and a decrease NIS 698 million in collection of variable management fees (in excess of real return of 3%) in the reporting year compared to the collection of variable management fees in the corresponding quarter last year, due to the slumps in financial markets in Israel and globally, which caused a decrease in the value of planholders' portfolio in the reporting period compared with the corresponding period last year.

As of December 31, 2022, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 643 million, before tax (as of the report publication date - NIS 728 million before tax). For more information regarding the variable management fees collection mechanism, see Note 41(3)1 to the financial statements.

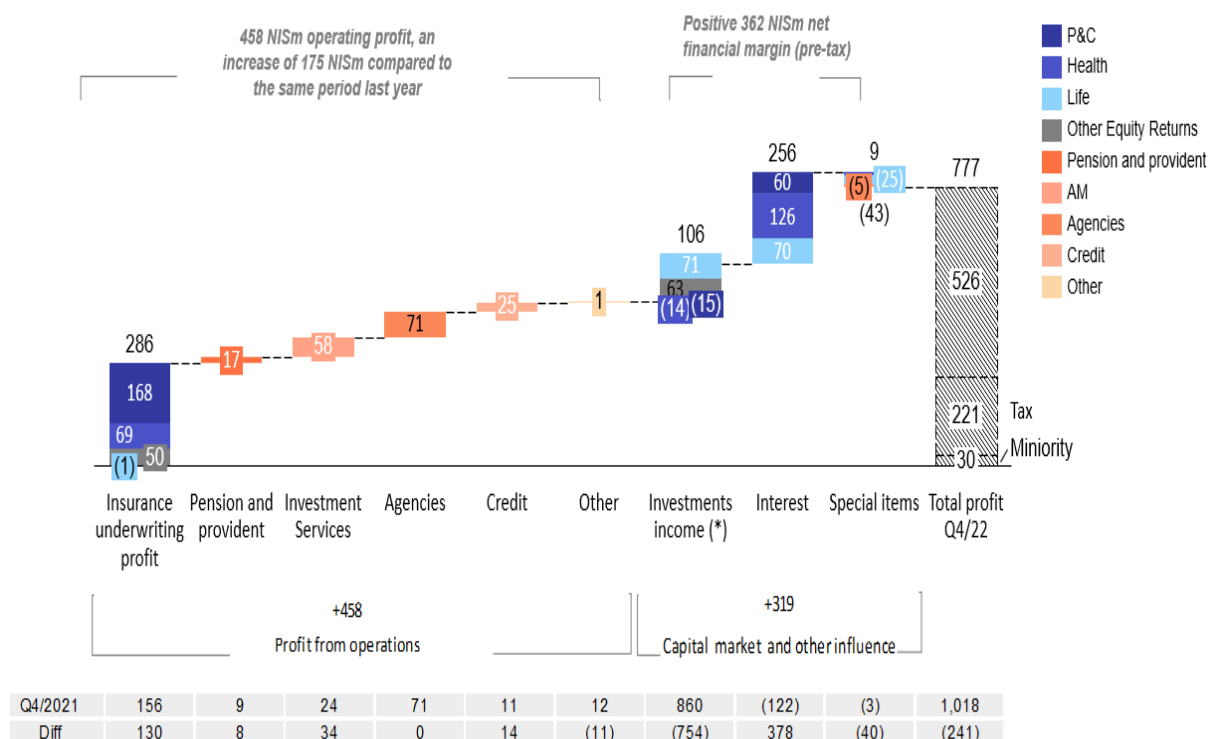
The decrease in investment income was partially offset against an increase in the risk-free interest rate curve in the reporting year compared with the corresponding period last year; this increase caused a NIS 1,645 million decrease in insurance reserves in the reporting period, compared with the corresponding period last year.

The total net effect of the interest and capital market effects (in excess of a real return of 3%) in the reporting period amounted to a pre-tax loss of NIS 359 million as reflected in the above chart. During the reporting period, the special items line item decreased by NIS 219 million compared with the corresponding period last year; most of the decrease stemmed from the recognition of a higher one-off earning in the corresponding period last year as a result of assuming control in Gama and the sale of control in Ad 120, and compared to the recognition of a one-off earning from the transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance, assuming control in Capital and assuming control in a subsidiary agency in the reporting period.

Furthermore, in the reporting period, the special items line item includes the effect of a study on retirement age and pension uptake rates, which was partially offset by revising the assumptions of the mortality schedules; for further details, see Section 1.3.3 and 1.3.4 above.

For information about the effects on the results at the segment level, please see details in Sections 5.5-5.6 below.

Set forth below is an analysis of the sources of the Company's pre-tax income by operating profit and gains from capital market effects, interest rate and Special Items in the fourth quarter of 2022 (in NIS million):



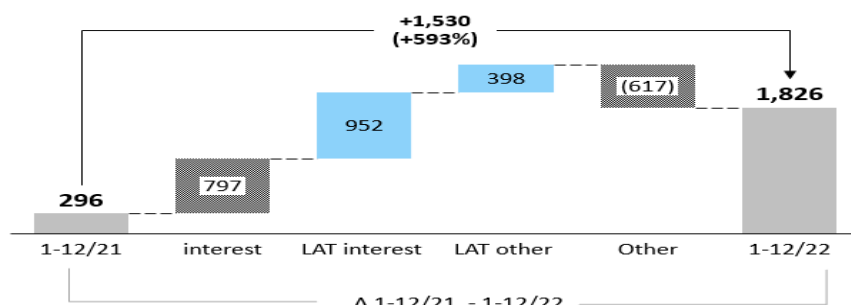
(*) See Section 5.4.1.

(**) For information about the Special Items at segment level, see Section 5.4.4, and results at segment level in Sections 5.6-5.7 below.

Operating profit after deducting effects of the capital market, special Items and interest increased by NIS 175 million in the fourth quarter compared to the corresponding period last year; for information about the effects on segment-level results, see Sections 5.6-5.7 below. In the fourth quarter, investment income in excess of a real return of 3% decreased by NIS 754 million due to the higher rallies in financial markets in Israel and across the world, which were higher in the corresponding quarter last year compared with the fourth quarter in the reporting year. As a result of an increase in the risk-free interest rate curve in the fourth quarter compared with a decrease in the risk-free interest rate curve in the corresponding period last year, insurance reserves decreased by NIS 378 million compared with the corresponding period last year.

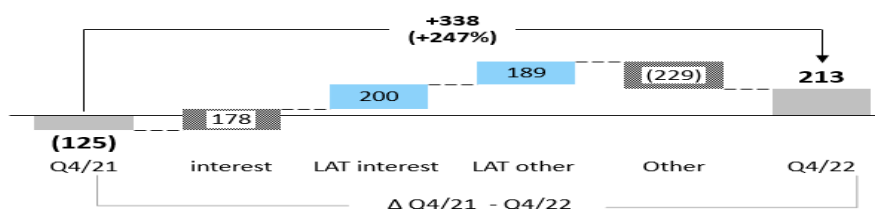
For information about the effects on the results at the segment level, please see details in Sections 5.6-5.7 below.

Following is an analysis of the interest rate effects and main Special Items on pre-tax insurance liabilities in the reporting year compared with last year (in NIS million):



Results	+1,645 Interest		+181 Special Items		
1-12/2022	824	821	111	70	1,826
P&C	264	-	-	-	264
Health	-	821	111	(40)	892
Life	560	-	-	14	574
Pension and Provident	-	-	-	14	14
Financial Services	-	-	-	64	64
Agencies	-	-	-	18	18
1-12/2021	27	(131)	(287)	687	296
P&C	8	-	-	-	8
Health	-	(131)	(287)	135	(283)
Life	19	-	-	338	357
Other Equity	-	-	-	(45)	(45)
Pension and Provident	-	-	-	(6)	(6)
Financial Services	-	-	-	(19)	(19)
Credit	-	-	-	220	220
Other	-	-	-	35	35

Set forth below is an analysis of the differences between the interest effects and main Special Items on pre-tax insurance liabilities in the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS million):



Results	+256 Interest		(43) Special Items		
Q4-22	130	126	5	(48)	213
P&C	60	-	-	-	60
Health	-	126	5	(14)	117
Life	70	-	-	(25)	45
Financial Services	-	-	-	(5)	(5)
Q4-21	(48)	(74)	(184)	181	(125)
P&C	1	-	-	-	1
Health	-	(74)	(184)	(31)	(289)
Life	(49)	-	-	210	161
Pension and Provident	-	-	-	(6)	(6)
Financial Services	-	-	-	(6)	(6)
Agencies	-	-	-	24	24
Other	-	-	-	(10)	(10)

5.5. Set forth below are data regarding the Company's return on equity:

	1-12/2022	1-12/2021	1-12/2020	10-12/2022	10-12/2021
Return on shareholders' equity for the period (based on comprehensive income for the period)(*)	11.4%	26.3%	18.5%	23.0%	36.5%
Adjusted return on shareholders' equity for the period (based on comprehensive income for the period)(**)	11.9%	10.7%	8.7%	13.0%	10.0%

(*) Return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, adjusted to reflect a one-year period and divided by the average equity for the period.

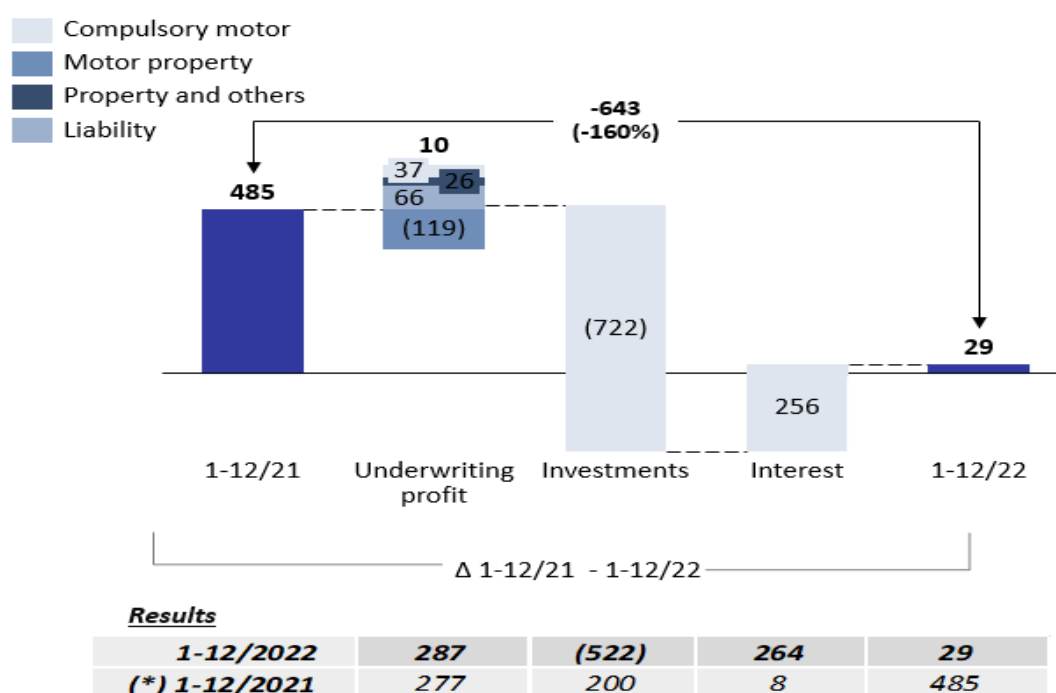
(**) Adjusted return on equity is calculated based on the comprehensive income for the period attributable to Company's shareholders, net of the effect of the capital market and special items (see Section 5.4.1 above), adjusted to reflect a one-year period and divided by the average adjusted equity for the period.

Following is a description of the developments in the Group's financial performance, by operating segment:

5.6. Description of developments in core areas - insurance

5.6.1. Property and casualty insurance

Following is an analysis of the main effects and changes on the results of the property and casualty insurance subsegment for the reporting year compared to last year (in NIS million, before tax):



(*) Reclassified, see Section 5.4.1.3 above.

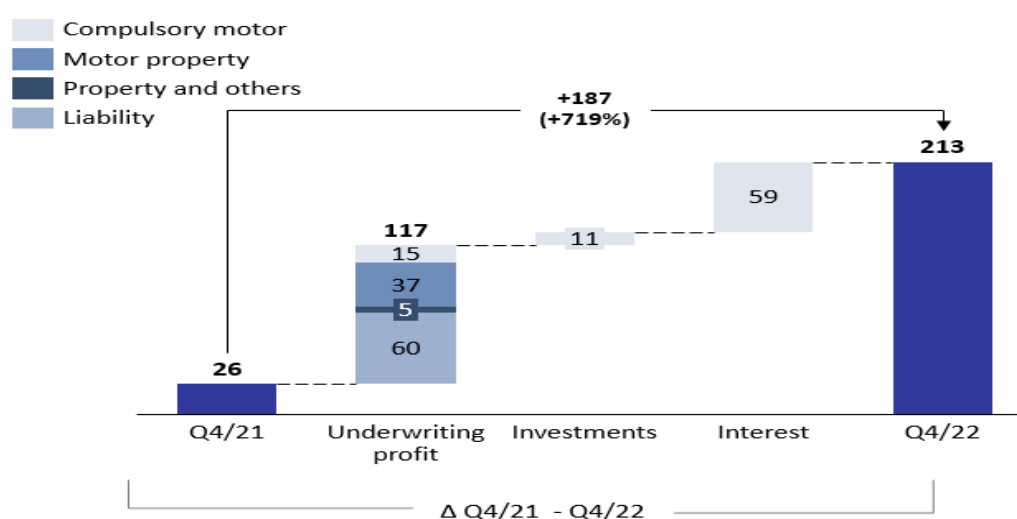
The NIS 10 million increase in underwriting profit in the reporting year compared with the corresponding period last year arises from an increase in profit in the compulsory motor, liability, property and other insurance subsegments in the reporting year compared with the corresponding period last year, mainly due to a positive development in claims in respect of previous years in the compulsory motor insurance subsegment, and from a positive development in respect of previous years in the employers liability and professional liability insurance subsegments. These profits were partially offset against the decline in profits in the motor property subsegment because of an increase in the cost of claims and an increase in incidence in the reporting year; the Company takes steps to improve the underwriting results in the motor property subsegment.

The NIS 722 million decrease in investment income in the reporting period compared to the corresponding period last year stemmed from slumps in financial markets in Israel and across the world during the reporting period compared with the corresponding period last year.

The NIS 256 million increase in interest income in the Reporting Period compared with the corresponding period last year stems mainly from a decrease in insurance liabilities in compulsory motor insurance and liability as a result of a NIS 85 million increase in discount rate, and classification of NIS 176 million in excess value of illiquid assets (UGL) from the health insurance subsegment to the P&C insurance subsegment as from the financial statements as of June 30, 2022.

The mechanism for offsetting the excess value assets was implemented in accordance with Section 1C to the Position of Commissioner of the Capital Market, Insurance and Savings - Best Practice for Calculating Reserves. For further details, please see Section 5.4.1.3 above and Note 41 to the Financial Statements.

Set forth below is an analysis of the main effects and changes on the results of the P&C insurance subsegment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million, before tax):



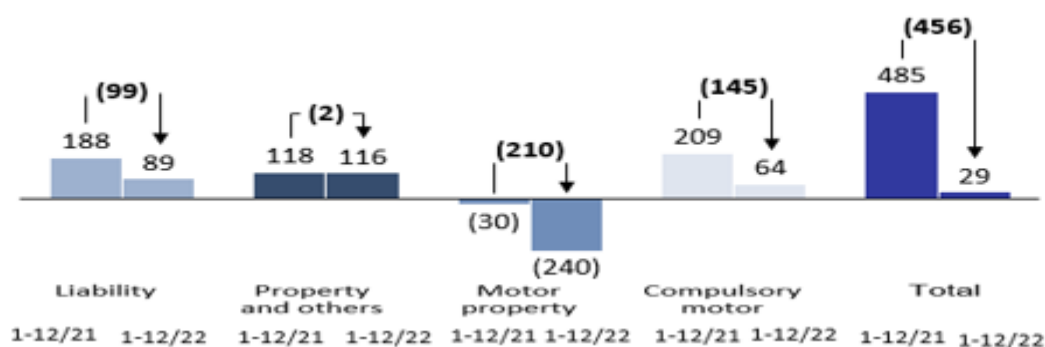
Results

Q4-22	168	(15)	60	213
Q4-21	51	(26)	1	26

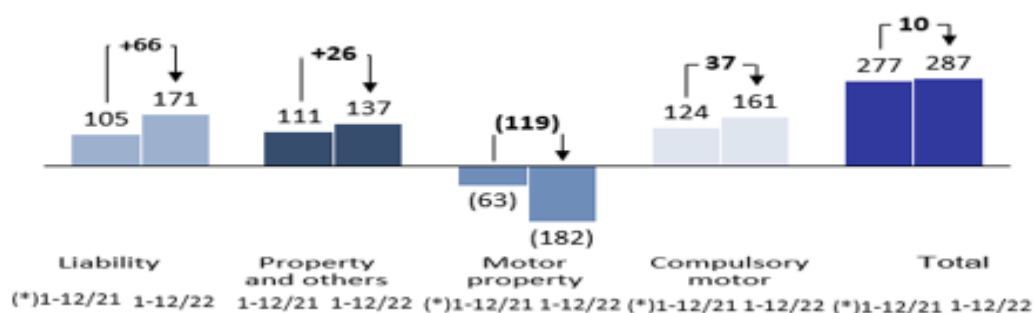
The NIS 117 million increase in underwriting profit in the fourth quarter of the reporting year compared with the corresponding quarter last year arises mainly from the compulsory motor and liability insurance subsegment as a result of a positive development in relation to previous years in the fourth quarter of the reporting year compared with the corresponding quarter last year.

The NIS 11 million increase in investment income in the fourth quarter of the reporting year compared with the corresponding quarter last year stemmed from a lower negative effect in financial markets in Israel and globally during the fourth quarter of the reporting year, compared with the corresponding quarter last year, in relation to the mix of the portfolio against the segment's liabilities. The NIS 59 million increase in interest income in the fourth quarter of the reporting year compared with the corresponding quarter last year stems mainly from a decrease in insurance liabilities in compulsory motor insurance and from a decrease in liabilities as a result of a NIS 43 million increase in discount rate.

5.6.1.1. Following is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the reporting year compared to last year (in NIS million):



Following are the pre-tax underwriting profit in the various subsegments of property and casualty insurance for the reporting year compared to last year (in NIS million):



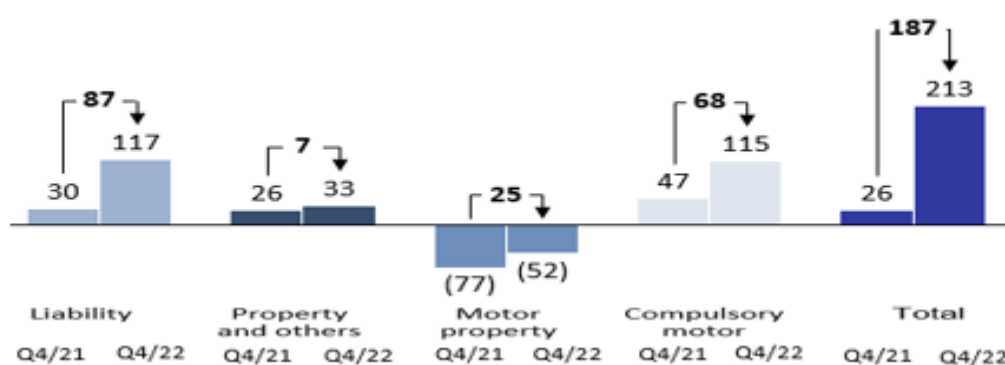
(*) Reclassified, see Section 5.4.1.3 above.

The NIS 10 million increase in underwriting profit in the reporting year compared with the corresponding period last year arises mainly from an increase in underwriting profit in the liability insurance subsegments in the reporting year compared with the corresponding period last year, due to a positive development in respect of previous years in the professional liability and employers' liability insurance subsegment, in addition to the increase in the compulsory motor insurance

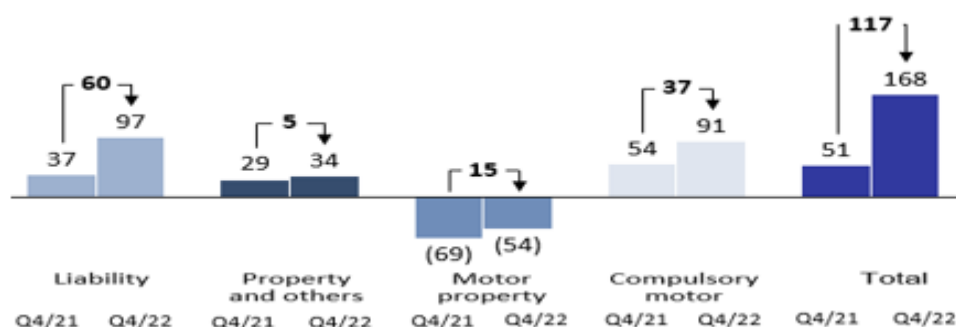
subsegment as a result of a positive development in claims in respect of previous years, and from the increase in underwriting profit in the other property subsegment in the reporting year compared with the corresponding period last year, as a result of an improvement in underwriting results in the property loss and home insurance subsegment.

The said increase in underwriting profits was offset by the underwriting profit in the reporting year compared with the corresponding period last year in the motor property subsegment stems from an increase in the of costs of claims and an increase in incidence in the reporting year.

5.6.1.2. **Set forth below is the pre-tax comprehensive income in the various subsegments of property and casualty insurance for the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS million, before tax):**



Set forth below are the results of the (pre-tax) underwriting profits in the various subsegments of property and casualty insurance for the fourth quarter of 2022 compared with the corresponding quarter last year (in NIS million, before tax):



The NIS 117 million increase in underwriting profit in the fourth quarter of the reporting year compared with the corresponding quarter last year arises mainly from a NIS 60 million increase in the liability subsegment, a positive development in relation to previous years in the professional liability and third party subsegments, and a NIS 37 million increase in underwriting profit in the compulsory motor insurance subsegment as a result of positive developments in respect of previous years.

5.6.1.3. **Set forth below is the gross loss ratio and combined ratio, and retention loss ratio in the motor property and other subsegments:**

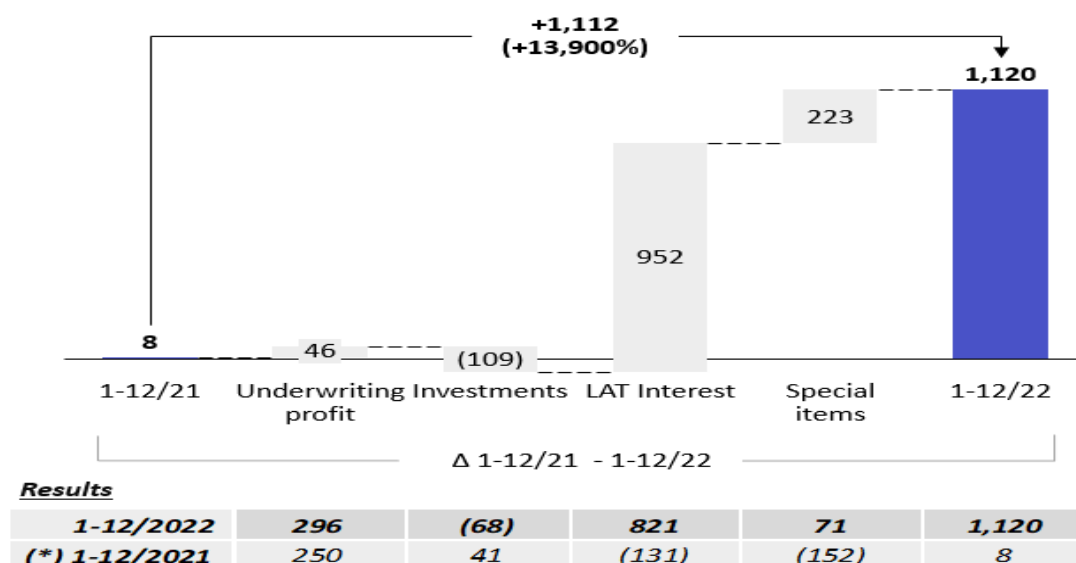
	Motor property In NIS million		
	1-12/2022	1-12/2021	1-12/2020
Gross loss ratio	91.0%	80.3%	66.9%
Retention loss ratio	91.1%	80.3%	66.9%
Gross combined ratio	116.6%	108.9%	96.4%
Retention combined ratio	116.6%	108.9%	96.4%

	Property and other subsegments In NIS million		
	1-12/2022	1-12/2021	1-12/2020
Gross loss ratio	31.4%	33.2%	40.7%
Retention loss ratio	22.5%	23.5%	37.8%
Gross combined ratio	58.9%	61.2%	68.9%
Retention combined ratio	53.3%	60.4%	76.4%

5.6.2. **Health insurance**

Earnings on investments affects the profitability of this segment, some of whose products (such as long-term care insurance) are characterized by accrual of significant reserves over long periods. Investment earnings are affected by financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that The Phoenix Insurance no longer markets long-term care insurance policies in view of the risks involved in the subsegment in its present form, and the complexity of the related reinsurance in this subsegment.

Following is an analysis of the main effects and changes on the results of the health insurance subsegment for the reporting year compared to last year (in NIS million):



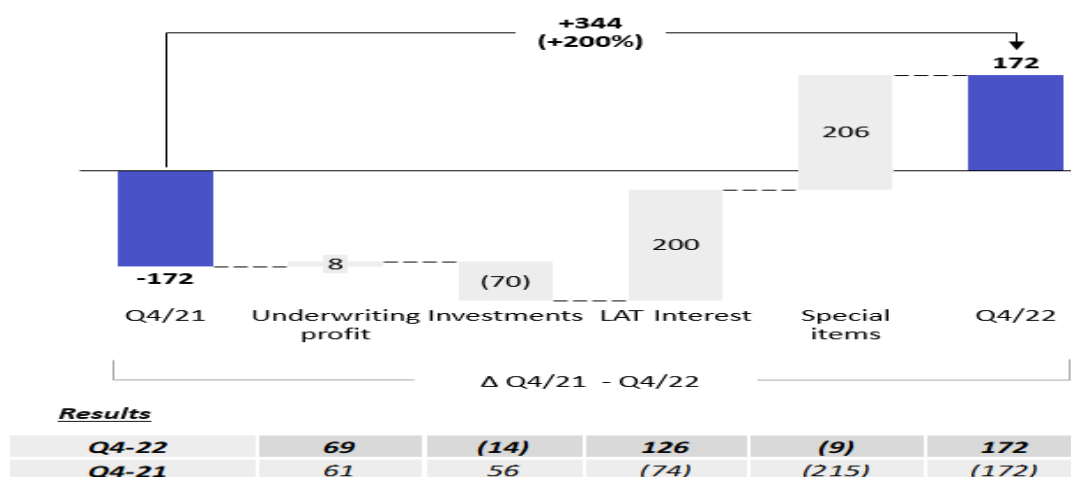
(*) Reclassified, see Section 5.4.1.3 above.

The NIS 46 million increase in underwriting profits in the reporting year compared with the corresponding period last year is mainly due to an increase in underwriting profits from long-term care insurance policies, and specifically underwriting profits from critical illness, personal accidents, and travel insurance policies compared with the corresponding period last year.

The NIS 109 million decline in investment income in the reporting year compared with the corresponding period last year stems from slumps in financial markets in Israel and globally during the reporting year, compared with the corresponding period last year. The impact of increase in the risk-free interest rate curve in the Reporting Period caused a NIS 952 million increase in profit, including the change in excess value of illiquid assets carried to LAT, and after the classification of NIS 176 million in excess value of illiquid assets from the health insurance subsegment to the P&C insurance subsegment; for more information, see Section 5.4.1.3 above and Note 41 to the financial statements.

In addition, the results in the reporting year were affected by a NIS 223 million increase in the Special Items line item. In the reporting period, the NIS 99 million increase from recognition of one-off capital gain as a result of the transfer of the Company's rights in Phoeniclass Ltd. to The Phoenix Insurance, which was recognized in LAT as part of the excess value of illiquid assets (as of December 31, 2022, the LAT balance amounted to approx. NIS 255 million), and was mostly offset against an increase in the individual health insurance reserve, compared with the corresponding period last year in which the Company increased the long-term care and health insurance reserves by NIS 152 million as a result of changes in morbidity assumptions, cancellations, expenses, revisions of model and other, which were offset against the effect of the completion of Ad 120 sale transaction. For further details, please see Note 41 to the Financial Statements.

Set forth below is an analysis of the main effects and changes on the results of the health insurance subsegment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):

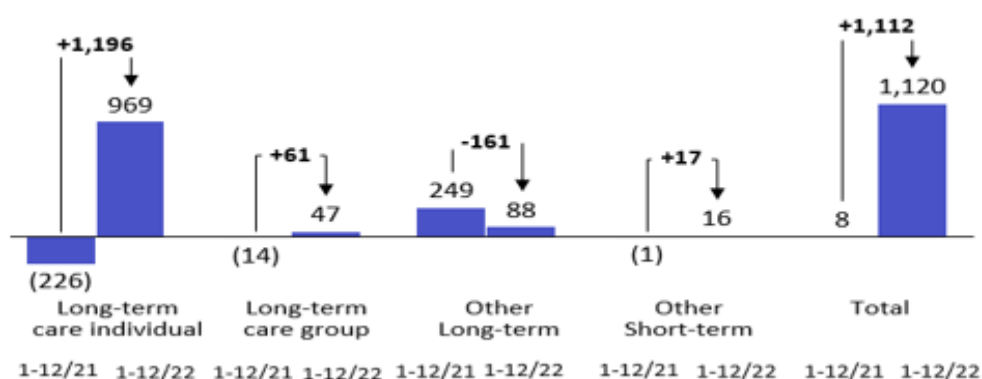


The effect of the decrease in investment income in the fourth quarter of the reporting year compared with the corresponding quarter last year triggered a NIS 70 million decrease in earnings due to adverse effects in financial markets in Israel and globally during the quarter, compared with positive effects in financial markets in Israel and globally in the corresponding quarter last year, with respect to the portfolio mix against the segment's liabilities.

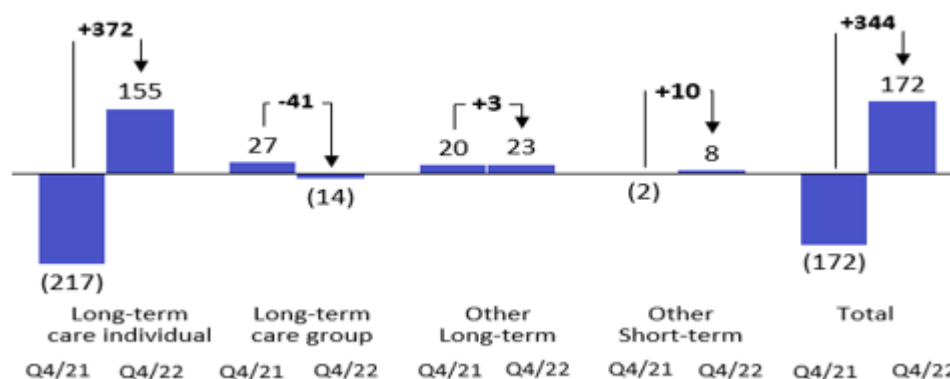
The impact of increase in the risk-free interest rate curve in the fourth quarter of the reporting year compared with the decline in the risk-free interest rate curve in the corresponding quarter last year caused a NIS 200 million increase in earnings.

In addition, the results in the fourth quarter of the reporting year compared with the corresponding quarter last year were affected by a NIS 206 million increase in earnings in the Special Items line item, mainly as a result of the increase in reserve in the corresponding quarter last year due to changes in morbidity assumptions, cancellations, expenses, model revisions and other. For further details, please see Note 41 to the Financial Statements.

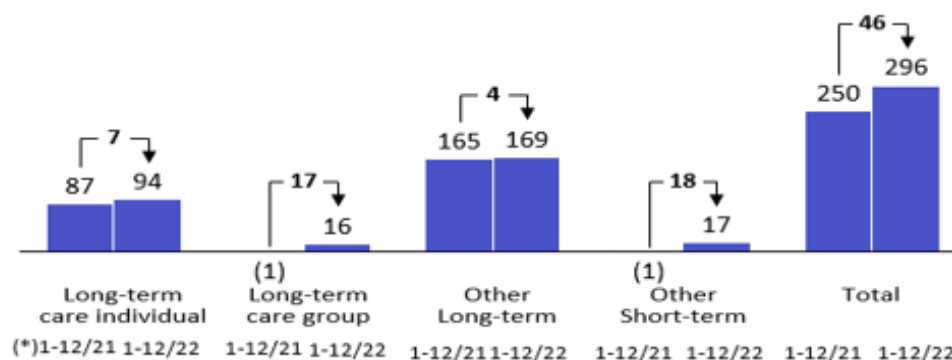
5.6.2.1. Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):



Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of health insurance in the fourth quarter of the reporting period compared with the corresponding quarter last year (in NIS million):



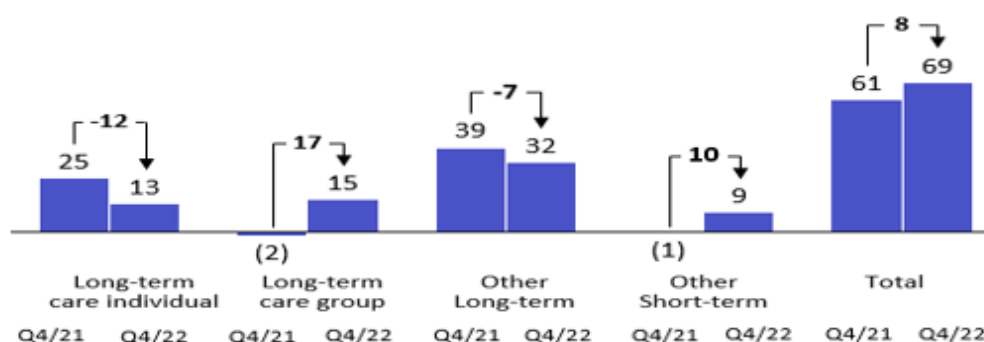
5.6.2.2. Set forth below is the pre-tax underwriting income (loss) in the various subsegments of health insurance for the reporting period compared with the corresponding period last year (in NIS million):



(*) Reclassified, see Section 5.4.1.3 above.

The NIS 46 million increase in underwriting profits in the reporting year compared with the corresponding period last year is mainly due to an increase in underwriting profits in long-term policies as a result of an improvement in profit from critical illness and personal accidents insurance policies.

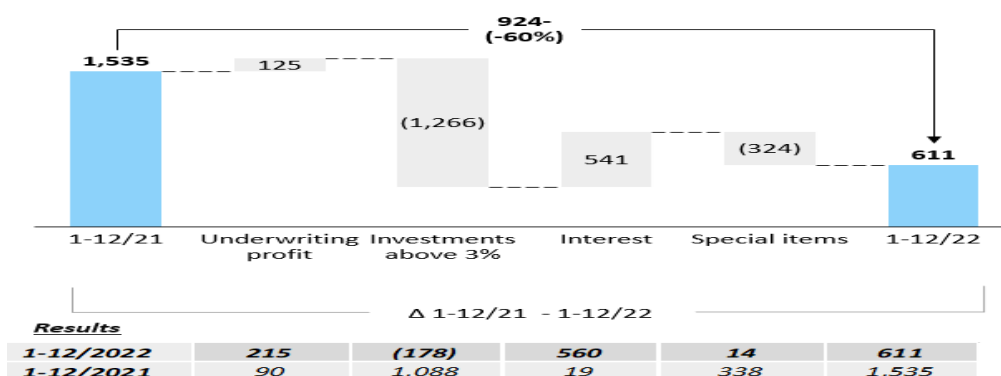
Set forth below is the pre-tax underwriting income (loss) in the various subsegments of health insurance in the fourth quarter of the reporting period compared with the corresponding quarter last year (in NIS million):



5.6.3. Life insurance and savings

5.6.3.1. Earnings on investments have a material effect on the profitability of this segment, which is characterized by accrual of significant reserves over long periods. Investment earnings are affected by financial market fluctuations, as well as changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that a significant portion of the investment income was carried to participating policies and has no direct effect on the Company's results.

Following is an analysis of the main effects and changes on the results of the life insurance subsegment for the reporting year compared to last year (in NIS million):



Compared with the corresponding period last year, the results in the reporting period were mainly impacted by the decrease in investment income that were offset against the increase in risk-free interest that triggered a decrease in insurance reserves. The results were also affected by the NIS 125 million increase in underwriting profits, which stemmed mainly from an increase in the fixed management fees and from an improvement as a result of a decrease in annuities uptake rate compared with the expected uptake.

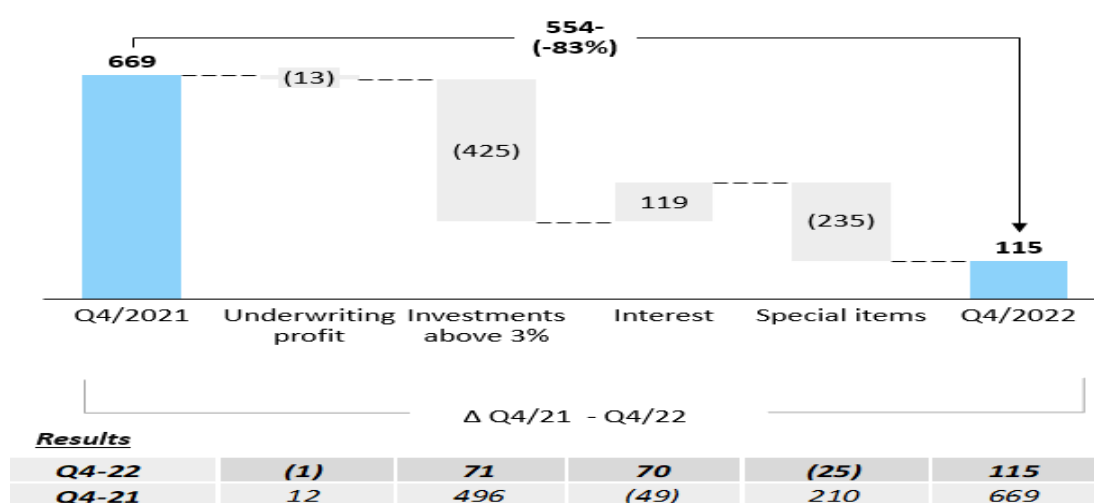
The NIS 1.266 million decrease in investment income (in excess of real return of 3%) stemmed from a NIS 568 million decrease in income from the nostro portfolio, mainly due to the slumps in financial markets in Israel and globally, and from a NIS 698 million decrease in variable management fees (in excess of real return of 3%) as a result of non-collection of variable management fees in the first quarter of the reporting period compared to the collection in the corresponding period last year, due to the slumps in financial markets in Israel and globally, which caused a decrease in the value of planholders' portfolio in the reporting period compared with the corresponding period last year. As of December 31, 2022, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 643 million, before tax (as of the report publication date - NIS 728 million before tax). For more information regarding the variable management fees collection mechanism, see Note 41(3)1 to the financial statements.

Investment income in the reporting period also includes the NIS 87 million effect in respect of the Frequent Flyer transaction; for more information, see Section 1.4.1 above.

The impact of the change in interest in the reporting period compared with the corresponding period last year caused a NIS 541 million increase in earnings mainly due to the increase in the interest rate curve in the reporting period compared with the corresponding period last year, which decreased the pension supplementary reserve.

The NIS 324 million decrease in the special items line item stems from a NIS 14 million profit in the reporting year mainly due to the effect of a study on retirement age and pension uptake rates, which was partially offset by the implementation of a circular regarding revising the assumptions of the mortality schedules and changes in assumptions (for further details, see Section 1.3.3 above), model revision and provisions for class actions). Last year, there was a NIS 338 million increase in profit as a result of the recognition of a NIS 210 million profit following the sale of control in Ad 120, and as a result of changes in assumptions, model revisions and provisions for claims.

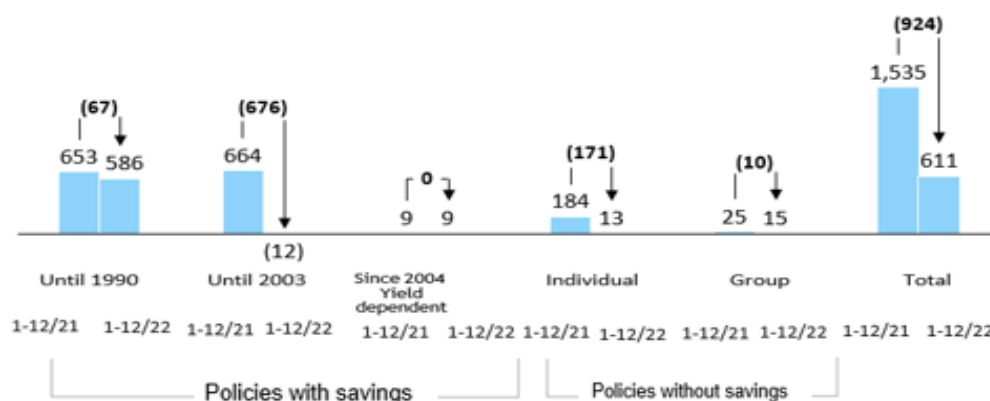
Set forth below is an analysis of the main effects and changes on the results of the life insurance subsegment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):



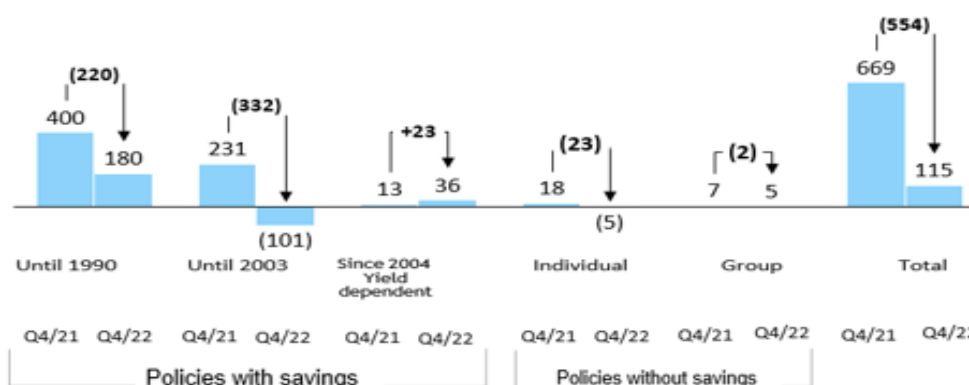
The results in the fourth quarter of the reporting year compared with the corresponding quarter last year were affected by a NIS 13 million decrease in underwriting profit which stemmed mainly from the decrease in fixed management fees and the increase in general and administrative expenses. Compared with the corresponding quarter last year, the results in the fourth quarter of the reporting year were mainly affected by a decrease in investment income; the NIS 425 million decrease in investment income (in excess of real return of 3%) stemmed from a NIS 166 million decrease in income from the nostro portfolio, and from a NIS 259 million decrease in variable management fees (in excess of real return of 3%) as a result of non-collection of variable management fees in the fourth quarter of the reporting year compared with the collection in the corresponding quarter last year. As of December 31, 2022, the effect of the decline in planholders' portfolios will lead to non-collection of future variable management fees in the amount of approx. NIS 643 million, before tax (as of the report publication date - NIS 728 million before tax). For more information regarding the variable management fees collection mechanism, see Note 41(3)1 to the financial statements.

The NIS 235 million decrease in the special items line item arises from a NIS 25 million loss as a result of an increase in provisions for class actions that was offset against changes in assumptions in the fourth quarter of the reporting year, compared with a NIS 210 million profit that was recognized in the corresponding quarter last year following the sale of control in Ad 120.

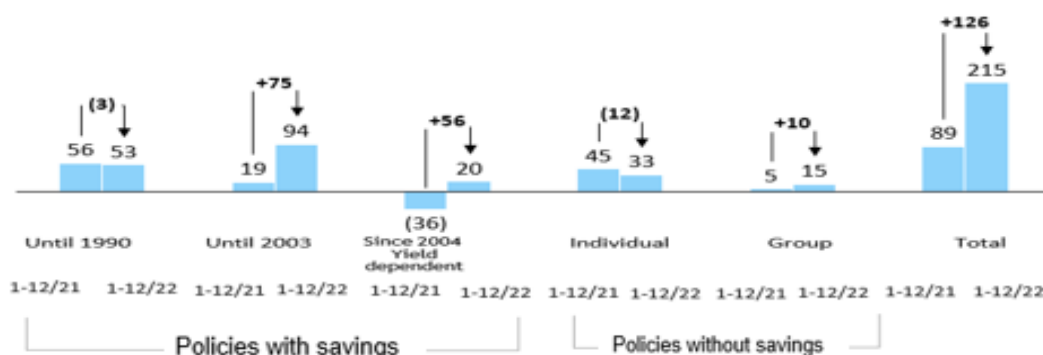
5.6.3.2. Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):



Set forth below is the pre-tax comprehensive income (loss) in the various subsegments of life insurance in the fourth quarter of the reporting period compared with the corresponding quarter last year (in NIS million):



5.6.3.3. Set forth below is the pre-tax underwriting income (loss) in the various subsegments of life insurance for the reporting period compared with the corresponding period last year (in NIS million):



The NIS 126 million increase in underwriting profit in the reporting year compared with the corresponding period last year stems from a NIS 75 million increase in underwriting profit in savings policies until 2003, mainly due to the decrease in the amortization of the supplementary retirement pension reserve by using the K-value (for more information see Note 41 Section 5.1 to the financial statements), and due to the NIS 56 million increase in profit in policies since 2004 following the increase in fixed management fees.

5.6.3.4. The rate of redemptions out of the average reserve (in annual terms) was approximately 4.83% compared with 4.79% in the corresponding period last year. The increase stemmed in part from internal transfers to The Phoenix Pension and Provident's provident funds. It should be noted that the general state of the economy, transition from product to product, employment rates, Covid-19 crisis, employees' wages, and market competition all affect this rate.

5.6.3.5. Set forth below are details concerning estimated net investment earnings attributed to policyholders of yield-dependent insurance policies and management fees calculated according to the Insurance Commissioner's guidelines, based on the return and the insurance reserves balances:

	1-12/2022	1-12/2021	1-12/2020	10-12/2022	10-12/2021
	In NIS million				
Investment gains (losses) credited to policyholders net of management fees (*)	(6,325)	10,222	3,333	783	3,236
Management fees	591	1,221	740	138	402

(*) Excluding investment income credited (debited) to policyholders in the health insurance segment.

5.6.3.6. Weighted returns on participating policies

Set forth below are the nominal returns on participating policies in respect of policies issued from 1992 to 2003:

	Policies issued up to 2004 (Fund J)				
	1-12/2022	1-12/2021	1-12/2020	10-12/2022	10-12/2021
Nominal returns before payment of management fees	(5.69%)	17.40%	6.61%	1.47%	5.04%
Nominal returns after payment of management fees	(6.29%)	14.44%	4.99%	1.31%	4.16%
Real returns before payment of management fees	(10.42%)	14.64%	7.25%	0.62%	4.84%
Real returns after payment of management fees	(10.99%)	11.76%	5.61%	0.46%	3.96%

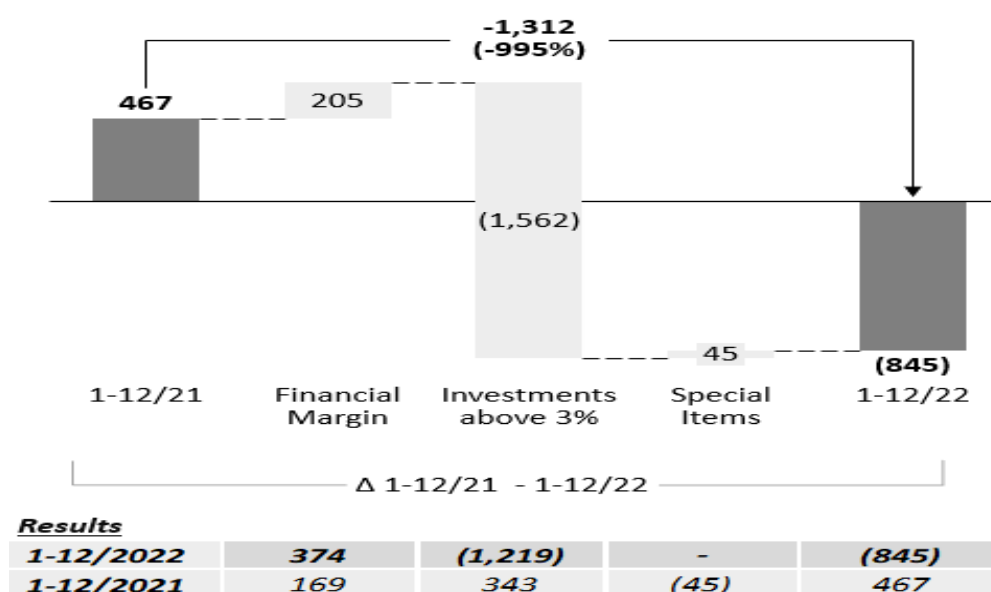
Fluctuations in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

5.6.3.7. Set forth below are the nominal returns on yield-dependent policies in respect of policies issued from 2004 and thereafter.

	Policies issued from 2004 and thereafter				
	1-12/2022	1-12/2021	1-12/2020	10-12/2022	10-12/2021
Nominal returns before payment of management fees	(6.64%)	15.33%	7.03%	1.75%	4.57%
Nominal returns after payment of management fees	(7.49%)	14.25%	5.97%	1.54%	4.32%
Real returns before payment of management fees	(11.32%)	12.63%	7.67%	0.90%	4.36%
Real returns after payment of management fees	(12.13%)	11.57%	6.61%	0.69%	4.12%

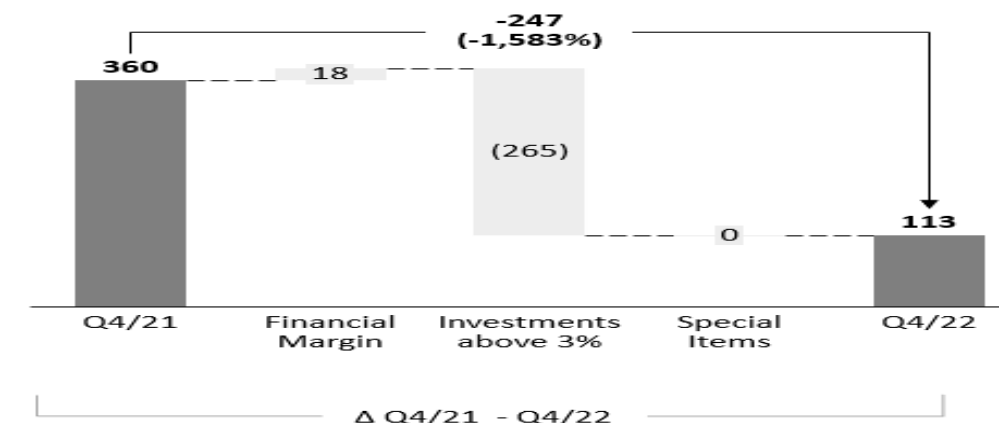
5.6.4. Capital gains - other.

Following is an analysis of the main effects and changes of other capital gains for the reporting year compared to last year (in NIS million):



The NIS 1,312 million decrease in other capital gains in the reporting year compared with the corresponding period last year, stems mainly from slumps in financial markets in Israel and globally in the reporting year compared with the corresponding period last year.

Set forth below is an analysis of the main effects and changes of other capital gains for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):



Results

Q4-22	50	63	-	113
Q4-21	32	328	-	360

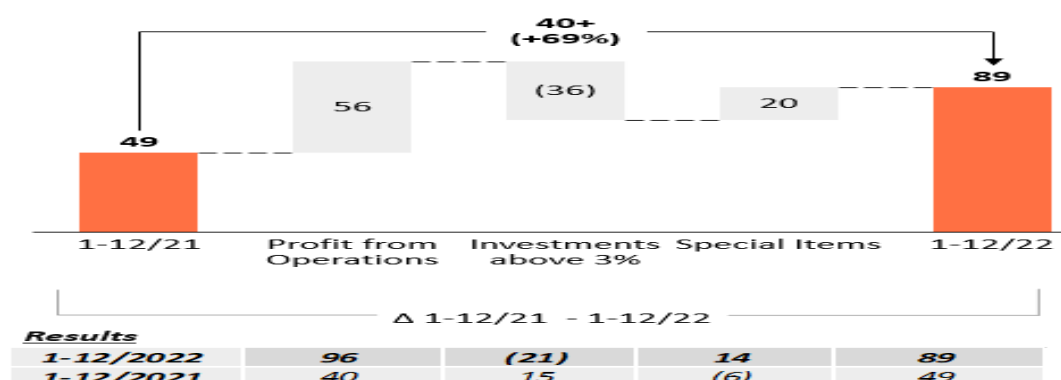
The NIS 247 million decrease in other capital gains in the fourth quarter of the reporting period compared with the corresponding quarter last year, stems mainly from slumps in financial markets in Israel and globally.

5.7. Description of developments in other core activities

5.7.1. Asset management - pension and provident

The Group manages various types of pension funds and provident funds through The Phoenix Pension and Provident Fund. In addition, the Group manages - through Halman-Aldubi IEC Gemel Ltd. - the central provident fund for annuity of Israel Electric Corporation employees. As of the report date, the Company holds - directly and indirectly - 100% of the shares of The Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd.

Following is an analysis of the main effects and changes on the results of the asset management - pension and provident subsegment for the reporting year compared to last year (in NIS million):



Results

1-12/2022	96	(21)	14	89
1-12/2021	40	15	(6)	49

The NIS 40 million increase in underwriting profit in the reporting year compared with the corresponding period last year arises mainly from synergy as a result of the acquisition of the Halman Aldubi investment house. The decline in investment income in the reporting year, compared with NIS 36 million last year stems mainly from slumps in financial markets in Israel and globally during the reporting year, compared with rallies in the corresponding period last year, which impacted, inter alia, the margins of a yield-guaranteed provident fund and the margins of the management company's nostro investments. The increase in the special items line item in the reporting year and in the third quarter compared with last year totaling NIS 20 million stems mainly from a one-off pre-tax profit of NIS 14 million in the reporting period as a result of the sale of the IRA portfolio, which was owned by Halman Aldubi compared with recognition of provisions for a class action in the corresponding period last year.

Set forth below is an analysis of the main effects and changes on the results of the asset management - pension and provident segment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):

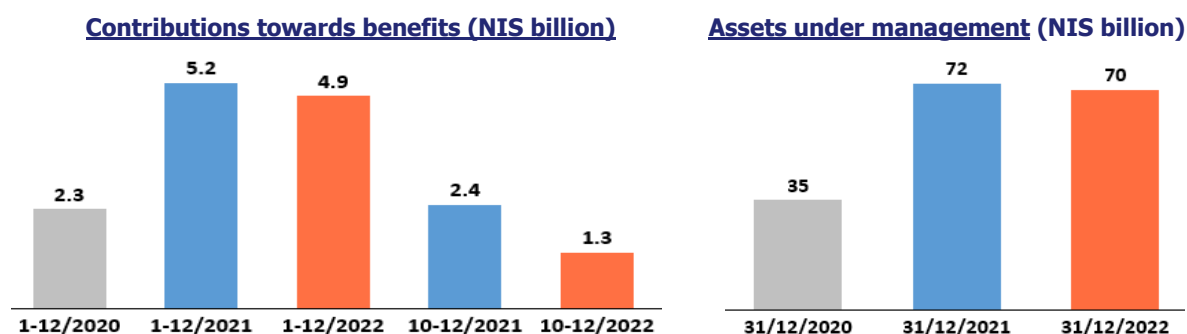


5.7.1.1. Provident funds subsegment

The Group manages provident and advanced education funds through The Phoenix Pension and Provident, a wholly owned subsidiary of the Company, which manages benefits and severance pay funds, advanced education funds, a central benefits and severance pay fund, a yield-guaranteed provident fund, an investment provident fund, a child long-term investment provident fund for savings, a self-directed benefits provident fund, and a personally managed advanced education fund.

The pre-tax comprehensive income in the reporting year amounted to approximately NIS 78 million compared to approximately NIS 30 million in the corresponding period last year. The pre-tax comprehensive income in the fourth quarter of the reporting year amounted to approximately NIS 12 million compared with approximately NIS 3 million in the corresponding quarter last year.

Set forth below are developments in contributions towards benefits and total assets under management:



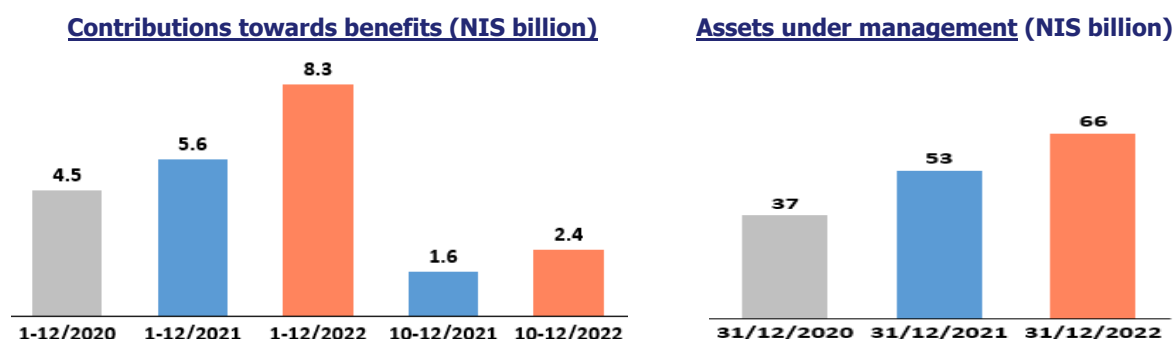
Based on Ministry of Finance data⁵ aggregate contributions towards benefits in the provident funds subsegment in the reporting year totaled approximately NIS 51.8 billion, compared to a total of approximately NIS 58.7 billion last year, reflecting an increase of approximately 11.7%. According to Ministry of Finance data, as of December 31, 2022, total assets under management in the provident funds subsegment amounted to a total of approximately NIS 648 billion, compared to approximately NIS 688 billion on December 31 2021, a decrease of approximately 5.8%.

5.7.1.2. Pension funds subsegment

The Group's pension subsegment is conducted through The Phoenix Pension and Provident, a wholly owned subsidiary of the Company.

The pre-tax comprehensive income in the reporting year amounted to approximately NIS 11 million compared to approximately NIS 19 million in the corresponding period last year. The pre-tax comprehensive income in the fourth quarter of the reporting period amounted to approximately NIS 4 million compared to approximately NIS 3 million in the corresponding quarter last year.

Set forth below are developments in contributions towards benefits and total assets under management:



⁵ Based on Gemel Net data.

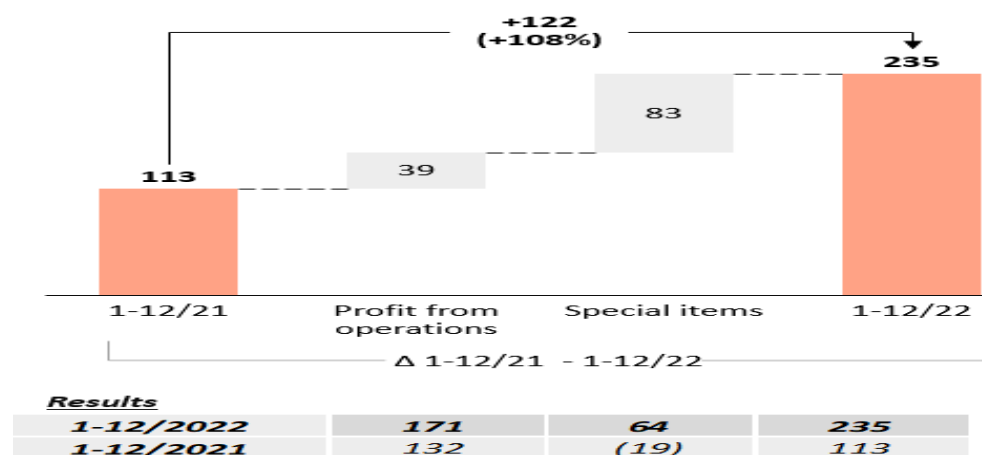
Based on Ministry of Finance data,⁶ aggregate contributions towards benefits in the new comprehensive pension funds subsegment in the reporting year totaled approximately NIS 58.6 billion, compared to a total of approximately NIS 50.8 billion in the corresponding period last year, reflecting an increase of approximately 15.4%.

According to Ministry of Finance data, as of December 31, 2022, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approximately NIS 605 billion, compared to approximately NIS 577 billion on December 31 2021, an increase of approximately 4.9%.

5.7.2. **Investment management - financial services**

The activity in this area is carried out mainly through The Phoenix Investment House (formerly - Excellence Investments; for more information, see Section 1.3.6 above), and as from June 30, 2022 partly through The Phoenix Advanced Investments.

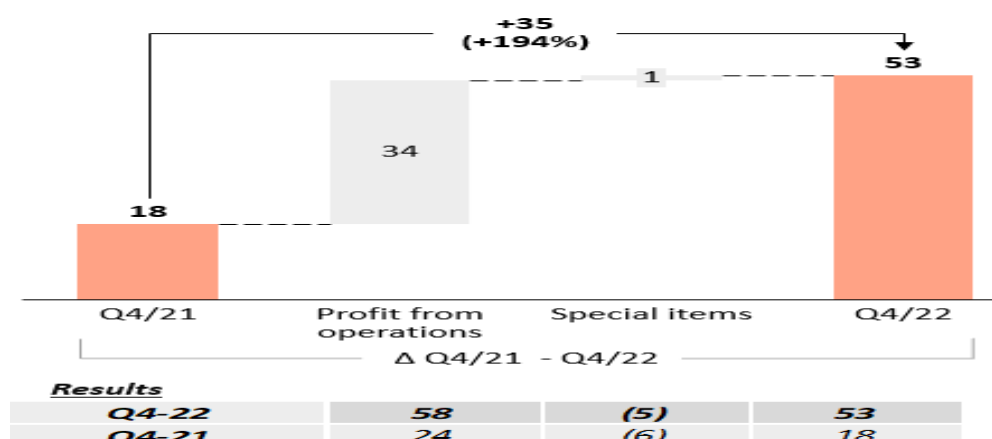
Following is an analysis of the main effects and changes on the results of financial services subsegment for the reporting year compared to last year (in NIS million):



The NIS 39 million increase in operating profit in the reporting year compared with the corresponding period last year arises mainly from an increase in the interest spread from deposits and loans, which was offset against decline in collection of variable management fees by The Phoenix Investment House. The NIS 83 million increase in the special items line item stems mainly from the recognition of a one-off capital gain as a result of The Phoenix Advanced Investments' assuming control in Capital, net of the increase in acquisition expenses as a result of the growth strategy in the retail brokerage portfolio, and zero management fees in KSM in The Phoenix Investment House.

⁶ Based on Pension Net data.

Set forth below is an analysis of the main effects and changes on the results of the financial services segment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):

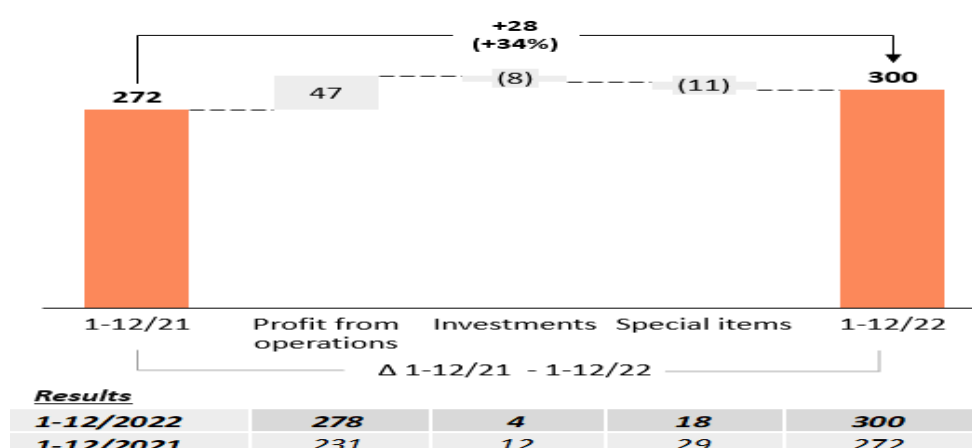


The NIS 34 million increase in operating profit in the reporting period compared with the corresponding period last year arises mainly from an increase in the interest spread from deposits and loans, and an increase in variable management fees in The Phoenix Investment House.

5.7.3. **The insurance agencies segment**

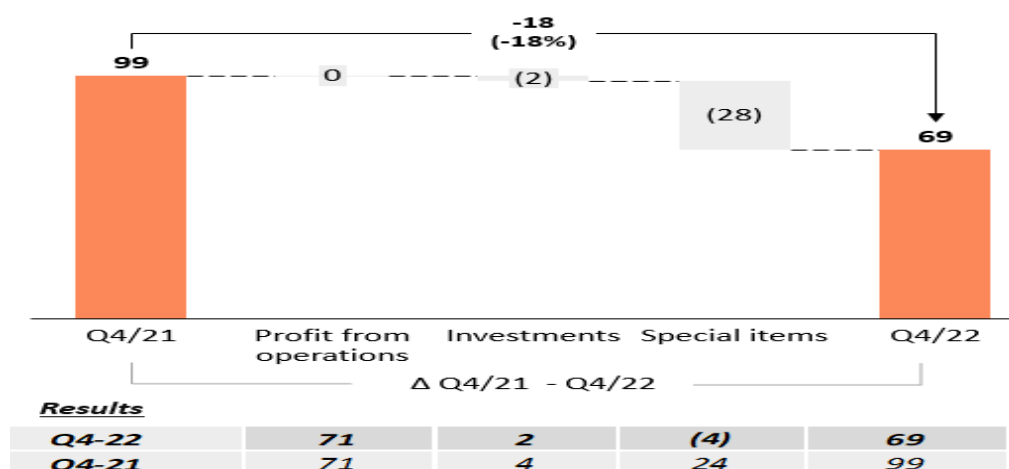
In December 2022, the competent organs of The Phoenix Agencies and Agam Holdings, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies. For further details, please see Section 1.3.12 above.

Following is an analysis of the main effects and changes on the results of the insurance agencies segment for the reporting year compared to last year (in NIS million):



Most of the increase in the Insurance Agencies Segment's operating profit stems primarily from continued growth, increase in agencies' sales further to the continued implementation of the Company's strategy of acquiring new agencies and operations.

Set forth below is an analysis of the main effects and changes on the results of the insurance agencies segment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):

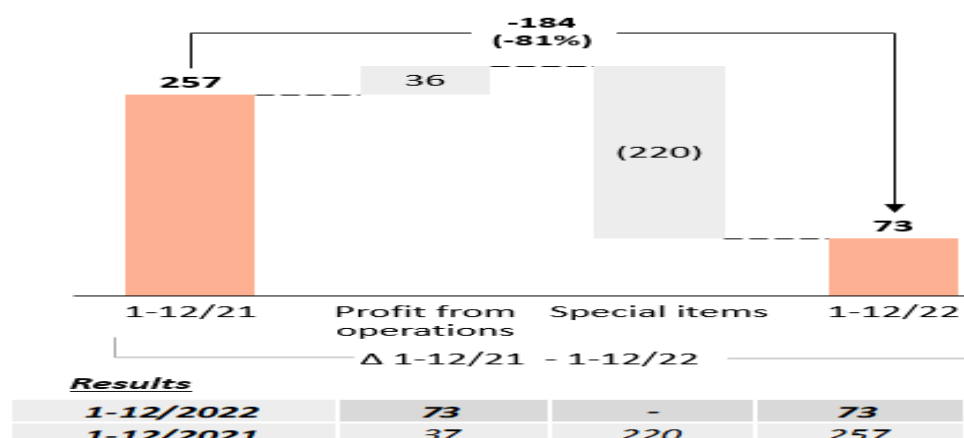


The decrease in profit in the insurance agencies segment in the fourth quarter of the reporting year compared with the corresponding quarter last year stems from the special items line item as a result of a revision - in the corresponding period last year - of the valuation following the assumption of control in a subsidiary.

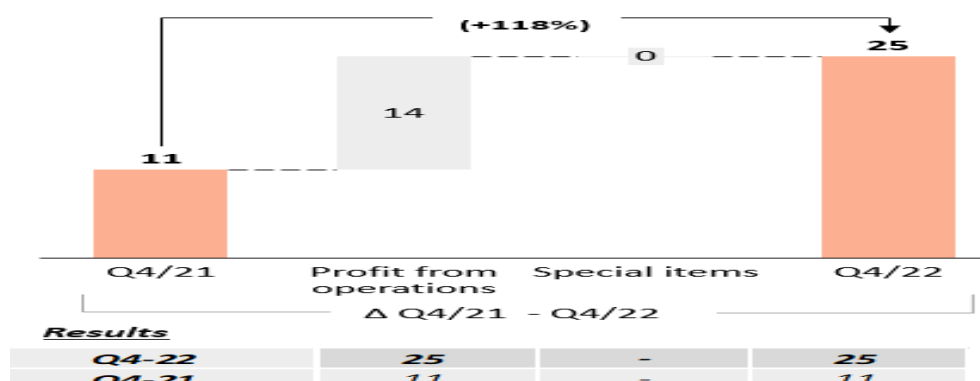
5.7.4. **The Credit Segment**

In June 2021, Gama Management and Clearing Ltd. completed its IPO on the TASE following the Supplementary Prospectus for of the sale offer and initial public offering of shares, and listing of its shares on the TASE, dated May 31, 2021. Simultaneously with the execution of the Offering in accordance with the Prospectus, The Phoenix Investments purchased additional Gama shares, such that after the Offering and the acquisition of the Purchased Shares, The Phoenix Investments holds approximately 60% of Gama's issued and paid-up share capital and voting rights therein and became the controlling shareholder in Gama. During the reporting period, the Company consolidated Gama's financial statements for the first time.

Following is an analysis of the main effects and changes on the results of the credit segment for the reporting year compared to last year (in NIS million):



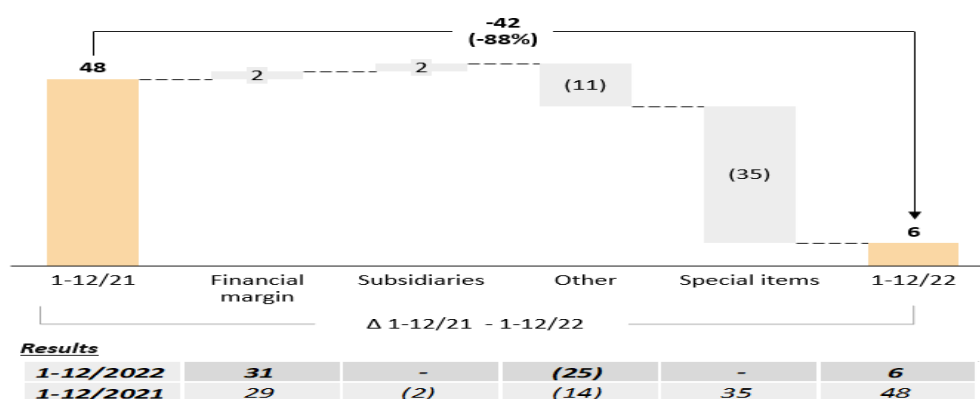
Set forth below is an analysis of the main effects and changes on the results of the credit segment for the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million):



It should be noted that Gama's operating profit in the reporting period is included based on full consolidation, subsequent to assuming control (60%), as described above, compared with the profit in the corresponding period last year, which was included in accordance with the Company's stake in Gama at the time (49%). The NIS 220 million decrease in the Special Items line item in the reporting period mainly arises from the recording of a one-off capital gain in the corresponding period last year as a result of assuming control in Gama. The increase in operating profit in the reporting year and in the fourth quarter compared with the corresponding periods last year is mainly attributed to improvement in Gama's credit spreads and an increase in total credit portfolio.

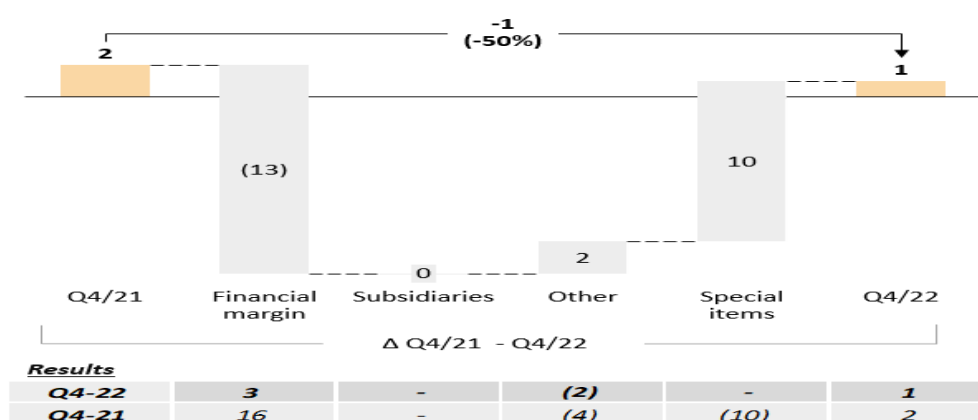
5.7.5. **Other segments and operation not attributed to the operating segments**

Set forth below is an analysis of the main effects and changes on the results of "other" segment and activity that is not attributed to operating segments in the reporting year compared to last year (in NIS million, before tax):



The results in the reporting year compared with last year were mainly affected by a NIS 35 million decrease in the Special Items line item. In the corresponding period last year, the NIS 35 million gain stemmed from a gain arising from early redemption of capital note in the insurance company, offset against early redemption of Company's bonds.

Set forth below is an analysis of the main effects and changes on the results of "other" operating segment that is not attributed to activity segments in the fourth quarter of 2022 compared to the corresponding quarter last year (in NIS million, before tax):



5.8. Analysis of cash flow development

5.8.1. Cash flow in 2022

The consolidated cash flows from operating activities in the reporting year amounted to NIS 2,729 million. The consolidated cash flows used in investing activities in the reporting period amounted to approximately NIS 536 million and included mainly a total of NIS 335 million used to purchase intangible assets and to capitalize costs of intangible assets, NIS 190 million used to purchase property, plant and equipment.

The consolidated cash flow provided by financing activities in the reporting year amounted to approximately NIS 1,665 million; the cash flows included, among other things, a total of NIS 1,910 million arising from the issuance of financial liabilities, a total of NIS 708 million used for undertakings for repurchase of government bonds and Makams (T-bills), a total of NIS 581 million to be used to pay dividend to the shareholders, and NIS 652 million to be used to repay financial liabilities.

The Group's cash and cash-equivalent balances increased from a total of approximately NIS 15,940 million at the beginning of the reporting year to approximately NIS 19,798 million at the end of the reporting year.

5.8.2. Funding sources and liquidity

For liquidity purposes, the Company relies, among other things, on net financial assets and on distribution of dividends by some of its investees. Set forth below is a breakdown of the material investees for liquidity purposes.

It is hereby clarified that some of the investees are subject to regulatory provisions in addition to the distribution restrictions set in the Companies Law, 1999:

- A. The Phoenix Insurance - the dividends from The Phoenix Insurance depend on the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the

Banking Supervision Department; the dividends also depend on the policy set by the Board of Directors of The Phoenix Insurance, see Section 2.1 above.

For the purpose of making a conservative assessment of the Company's future cash flows, the Company assumes a payment of dividend by The Phoenix Insurance to the Phoenix Holdings in accordance with the work plan.

The Company considers its holding in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the TACT-Institutionals trading platform as a source of liquidity, and classifies this holding as a financial investment.

- B. The Phoenix Pension and Provident - the dividend paid by The Phoenix Pension and Provident depend on the capital requirements set by the Banking Supervision Department, and on The Phoenix Pension and Provident's dividend distribution policy. The Company does not expect payment of dividend by The Phoenix Pension and Provident in the next two years. However, for purposes of the future cash flow, the Company takes into account the repayment of the loan it extended to The Phoenix Pension and Provident.

Furthermore, the Company controls the following entities which are not subject to special Regulatory Restrictions in addition to the Companies Law:

- A. The Phoenix Agencies - the Company presents the net financial assets of The Phoenix Agencies within its net financial assets. These assets include a short-term loan extended by The Phoenix Agencies or agencies under its control to The Phoenix Insurance for the purpose of central management of the net financial assets.
- B. The Phoenix Investments - the Company presents the net financial assets of The Phoenix Investments as part of its net financial assets. The Company assumes a payment of dividend by Excellence to The Phoenix Investments in accordance with the work plan.

It should be noted that such work plans are reflected in the Company's targets as stated in Section 4 above.

Set forth below is a table providing a breakdown of the net financial debt (the table includes the following companies: the Company, The Phoenix Investments and The Phoenix Agencies as stated above, and does not include The Phoenix Insurance and The Phoenix Pension and Provident, which are subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999):

	As of December 31, 2022	As of December 31, 2021
	NIS thousand	
Financial assets		
Cash and cash equivalents	160	154
Other financial investments	1,158	1,101
Total assets	1,319	1,255
Less current maturities		
Financial liabilities - current (*)	35	316
Current financial assets net of current maturities	1,284	940
Non-current financial liabilities		
Non-current financial liabilities	1,496	1,130
Other liabilities	10	10
Total liabilities	1,506	1,140
Net financial debt	(222)	(200)
LTV(**)	2%	2%

(*) The other financial investments include an investment in a Restricted Tier 1 capital instrument of The Phoenix Insurance, which is traded on the TACT-Institutionals trading platform, amounting to NIS 995 million (fair value as of June December 31, 2022 - NIS 906 million; fair value is in accordance with a quote of Fair Spread, as of March 12, 2023, totaling NIS 828 million). For information regarding the arrangement of the listing of restricted Tier 1 capital of the Company, see Section 1.5.5 above.

() The Company LTV is calculated as net financial debt as described above, in relation to the Company's market value as of December 31, 2022. For the calculation of LTV in accordance with financial covenants, please see Section 8.3 below.**

6. Disclosure on Exposure to, and Management of, Market Risks

6.1. The Group's risk management activities are designed to support and protect the Group against unexpected losses, which might prevent it from achieving its business objectives. The existing risk management system is based on fundamental principles of risk management and controls, which include, inter alia, proper involvement and understanding of risk management by the Board of Directors, providing tools for assessing and measuring risk, and putting in place supervision and control measures in respect of those risks. The following chapter presents exposure to market risks; position data and sensitivity tests do not include the insurance company, which accounts for most of the activity in the consolidated company (for a description of the corporation's risks and risk management policies and supervision thereof, please see Note 40 to the Financial Statements).

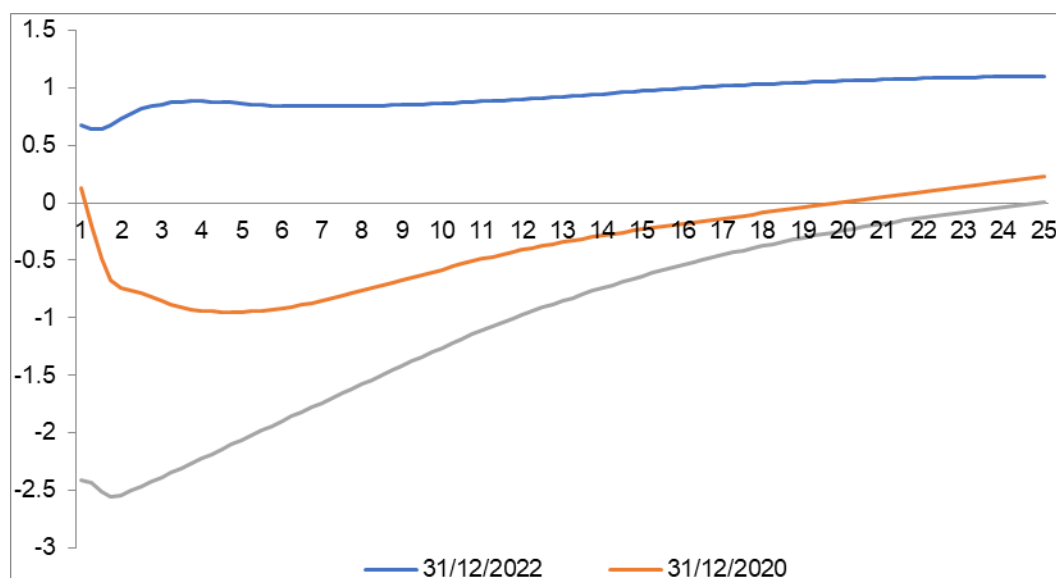
Definitions for this section:

1. The **"Group"** - The Phoenix Holdings, including its consolidated companies, with the exception of The Phoenix Insurance.
2. **"Nostro Assets"** - financial assets held by the Group.
3. **"Nostro Liabilities"** - the Group's financial liabilities.

The person in charge of market risk management in the corporation:

The person in charge of market risk management in the Group is Mr. Amit Netanel. The Chief Risk Officer received the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties.

Following is the linked risk-free interest rate curve ("spot")



The following tables summarize the results of sensitivity tests for the nostro assets (as defined above) on comprehensive income before tax, as of December 31, 2022. The results are presented in NIS million, and do not include the insurance company:

Risk factor – CPI-linked interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(1.0)	0.0	0.0	12.5	(0.0)	(0.0)	1.3
Corporate bonds	(2.0)	0.0	0.0	24.7	(0.0)	(0.0)	1.9
Capital note to the insurance company	(86.4)	3.7	1.8	1,265.9	(1.8)	(3.7)	95.9
Total assets	(89.4)	3.8	1.9	1,303.1	(1.9)	(3.8)	99.0
The Phoenix bonds*	51.9	(2.1)	(1.1)	(755.6)	1.1	2.2	(58.7)
Total liabilities	51.9	(2.1)	(1.1)	(755.6)	1.1	2.2	(58.7)
Total	(37.5)	1.6	0.8	547.5	(0.8)	(1.6)	40.3

(*) The value of The Phoenix's bonds under the model is 0.71% lower than their market value (761). the reason being that the credit spread reflected in The Phoenix's bonds is lower than the average risk spread for similarly rated bonds.

Risk factor - NIS interest rate

Type of instrument	Profit (loss) from changes in the risk factor			Fair value	Profit (loss) from changes in the risk factor		
	Absolute increase of 2%	10% increase	5% increase		5% decrease	Decrease of 10%	Absolute decrease of 2%
Government bonds	(0.9)	(0.2)	(0.1)	28.8	0.1	0.2	1.2
Corporate bonds	(0.5)	(0.1)	(0.0)	8.3	0.0	0.1	0.5
Total assets	(1.4)	(0.2)	(0.1)	37.1	0.1	0.2	1.7
The Phoenix bonds*	23.9	4.7	2.3	(636.7)	(2.3)	(4.7)	(28.0)
Total liabilities	23.9	4.7	2.3	(636.7)	(2.3)	(4.7)	(28.0)
Total	22.6	4.4	2.2	(599.7)	(2.2)	(4.4)	(26.3)

(*) The value of The Phoenix's bonds under the model is 0.51% lower than their market value (640), the reason being that the credit spread reflected in The Phoenix's bonds is lower than the average spread for similarly rated bonds.

Risk factor - foreign currency (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Corporate bonds	2.8	1.4	28.0	(1.3)	(2.5)
Cash in foreign currency	0.3	0.1	2.8	(0.1)	(0.2)
Forwards	(10.7)	(5.4)	(107.1)	3.8	7.7
Foreign stocks	0.8	0.4	7.5	(0.4)	(0.8)
Total assets	(6.9)	(3.5)	(68.9)	2.1	4.2
Total	(6.9)	(3.5)	(68.9)	2.1	4.2

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant currencies were less than 10% in absolute value terms.

Risk factor - Israeli shares (basis risk)*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Israeli shares	28.8	14.4	288.2	(14.4)	(28.4)
Total assets	28.9	14.4	288.6	(14.4)	(28.5)
Total	28.9	14.4	288.6	(14.4)	(28.5)

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant share indices were less than 10% in absolute value terms.

Risk factor - foreign shares*

Type of instrument	Profit (loss) from changes in the risk factor		Fair value	Profit (loss) from changes in the risk factor	
	10% increase	5% increase		5% decrease	Decrease of 10%
Foreign stocks	1.7	0.9	17.2	(0.9)	(1.7)
Total assets	1.7	0.9	17.2	(0.9)	(1.7)
Total	1.7	0.9	17.2	(0.9)	(1.7)

(*) The maximum daily increases and decreases observed in the past 10 years across all relevant share indices were less than 12% in absolute value terms.

Assumptions underlying the calculations.

Fair value: Fair value was calculated using the discounted cash flow model, using the suitable interest rate for the cash flow period. The discount rate was calculated based on the market interest rate for the cash flow period, plus the risk premium derived from the security's rating. Market interest rate data was taken from the database that feeds The Phoenix's risk management system, and risk premium data (credit spreads) were taken from Fair Spread.

Scenarios: Daily historical changes in the past ten years were tested for each of the relevant risk factors (such as exchange rates and shares). The maximum and minimum daily changes were calculated for each risk factor, excluding interest rate risk, for which the calculation was based on a 2% absolute increase/decrease during a single day. This scenario was selected after a study of the yield curve database found that in the past 10 years, no absolute change exceeding 2% was observed in any single day. These changes served as scenarios for potential changes in each of the risk factors. Scenario outcomes were calculated at the single asset level, so as to avoid distorting results by aggregating different instruments.

6.2. Gama Management and Clearing Ltd.**6.2.1. Officer in charge of management of credit risks in Gama**

The officer in charge of management of credit risks in Gama is Mr. Haim Castro, VP Credit Risks Management in Gama. Mr. Haim Castro's key roles as the officer in charge of management of credit risks include: identifying and assessing the credit exposures; creation and management of control mechanisms; assessing credit applications and placing controls over Gama's compliance

with the credit procedures approved by its Board of Directors. The Gama's Chief Risk Officer receives the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties. It should be noted that the management of the credit risks is carried out in accordance with a policy outlined by the Company's Board of Directors (for more information, see Section 54.3(a) to Part A to Gama's annual report).

In addition, it should be noted that on January 3, 2023, Gama's Board of Directors appointed Mr. Castro as the company's Chief Risk Officer, alongside the appointment of a new officer - Ms. Livnat Nizri - as Gama's VP Credit. For more information on this issue, see Section 54 to Chapter A to Gama's annual report.

6.2.2. Description of the market risks to which Gama is exposed

The market risks to which Gama is exposed include, among other things, a deterioration in economic conditions in Israel, interest rate hikes, credit risks, financing sources, liquidity and collection risks. For a description of the risks to which Gama is exposed, the procedures in place in respect thereof and the monitoring of those risks, see Section 54 in Chapter A to Gama's annual report.

6.2.3. Supervision of the market risk management policy and the implementation of this policy

From time to time and if necessary, Gama's management and Board of Directors discuss the market risks to which Gama is exposed.

6.2.4. Linkage bases report

Gama's assets and liabilities are not linked to any linkage bases, except for immaterial amounts.

6.2.5. Sensitivity tests

For a description of the sensitivity tests conducted by Gama, see Section 54 to Chapter A to Gama's annual report.

7. Corporate Governance Aspects

7.1. Disclosure on directors with accounting and financial expertise

For further details about directors possessing financial accounting expertise, please see the corporate governance questionnaire attached to the corporation's reports.

7.2. Compensation of senior officers

As a rule, contracts with the Company's senior officers comply with the Company's compensation policy and are based on individual agreements between each officer and the Company. These agreements specify the officer's salaries, social benefits, ancillary payments, retirement terms, and post-employment non-compete clauses. All employment terms and conditions are based on the responsibilities and complexities of the officer's position with the Company.

For details concerning compensation paid to the five highest-paid officers in the Company or companies under its control, please see Regulation 21 in the Periodic Report.

7.3. Disclosure on the percentage of independent directors

For further details about the percentage of independent directors, please see the corporate governance questionnaire attached to the corporation's reports.

7.4. Effectiveness of Internal Control over Financial Reporting and Disclosure

7.4.1. The Securities Regulations

Amendment No. 3 to the Securities Regulations (Periodic and Immediate Reports), 2009 (hereinafter - "ISOX"), which deals with internal controls over financial reporting and the disclosure thereof (hereinafter - the "Regulations"), was published in December 2009. The amendment enacts a number of changes aimed at improving the quality of financial reporting and disclosure by reporting corporations.

As from the publication date of the ISOX amendment, and as set out in the Company's previous Reports of the Board of Directors, the Company has acted and is acting on an ongoing basis to implement the required procedure in The Phoenix group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the Commissioner's circulars applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Control over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Control over Financial Reporting - Statements, Reports and Disclosures" (hereinafter - "Management's Responsibility Circulars").

The reports and statements required in accordance with the ISOX amendment are attached below to the periodic Financial Statements, please see Part 5 - Report on the Effectiveness of Internal Controls over Financial Reporting and Disclosure.

The processes relating to the activities of institutional entities are also addressed in the Insurance Commissioner's Circulars, please see Section 7.4.2 below.

7.4.2. **The Insurance Commissioner's Circulars**

Alongside the process described in Section 7.4.1 above, The Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as described below; this is done in accordance with the stages and dates set out in the above-mentioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

- **Disclosure controls and procedures**

Managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the said institutional entities' disclosure in their Financial Statements as of the end of the period covered in this report. Based on this assessment, the CEOs and CFOs of the institutional entities in The Phoenix group concluded that, as of the end of this period, the controls and procedures as to the institutional entities' disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that the institutional entities are required to disclose in their quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner of the Capital Market, Insurance, and Savings and on the date set out in these provisions.

- **Internal control over financial reporting**

During the reporting period ending December 31 2022, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are improving and streamlining processes and/or internal controls and/or customer service.

The reports and statements relating to the relevant processes are attached to the Financial Statements of The Phoenix group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

7.5. Disclosure on the Financial Statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive on disclosures required in the Report of the Board of Directors as to the Financial Statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the Financial Statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives, and accordingly follow Sections 404 and 302 to the Sarbanes-Oxley Act of 2002 (hereinafter - "SOX"), including review of work processes and internal controls in institutional entities. The Financial Statements of the said institutional entities include managers' statements as to the fairness of the financial data presented in the Financial Statements and the existence and effectiveness of internal controls in relation to these Financial Statements. For further details, please see Section 5.4 to the Report on the Company's Business.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the Financial Statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the Financial Statements. The Company's Board of Directors has appointed financial statements review committee (hereinafter - the "Balance Sheet Committee" or the "Committee"); the Committee submits to the Board of Directors its recommendations concerning the approval of the Financial Statements, prior to their approval by the Board. The Committee is not an Audit Committee.

7.6. Company policies regarding donations/corporate social responsibility

The Company, which regards itself as an integral part of Israeli society, giving back to the community is at the core of the Company's values, and is something it implements, encourages its employees to practice, and works to achieve through collaborations with NGOs and social organizations, and financial donations, with the aim of giving back to the community in which it operates its businesses.

The Company supports a broad range of activities in various fields, such as supporting hospitals, social and welfare services, distribution of food parcels for disadvantaged groups, aid organizations supporting women and teenage girls, preparation for military service, education, culture and art, and more. In order to implement its policy in an optimal manner, the Company appointed a Community Relations Committee, which convenes from time to

time to assess donation applications submitted to the Company by social organizations and other charities. The Company developed an up-to-date strategy for engaging with the community, which will reflect The Phoenix's being a leading and innovative company in its community outreach activities, by way of strengthening and encouraging its relationship with the community, its involvement therein and its employees' volunteer work in line with its business strategy. In order to implement the strategy, the Company selected eight key NGOs, which is being supported and will continue to be supported by the Company over a substantial period, with a view to develop collaboration therewith, while maintaining continuous monitoring and contact with those NGOs in order to promote their goals.

Set forth below are the key NGOs:

- **Technoda Hadera - The Phoenix class** - This science and technology education center provides research, science and technology activities to many children, youth and adults every year.

The center is located at the heart of the Gi'vat Olga neighborhood, which is home to disadvantaged population groups, many of whom are new immigrants from Ethiopia and Caucasus. This educational program constitutes a unique and interactive learning environment. The Phoenix has undertaken to invest in and provide support to one class starting from year one, with the aim of helping these special children to reach academic success, while enriching their knowledge and capabilities in the field of science and technology.

- **Nitzanim** - a leading joint program in collaboration with IDF's Computer and IT Directorate, led by the "Benetivey Udi" charity, whose goal is to increase the numbers of youngsters from the social and geographic periphery of Israel who serve in computer, software and high-tech roles when they join the IDF.
- **Maglan Friends Association** - supporting the "Ir B'Maof" program, which is a project for empowerment and social outreach in Kiryat Malakhi. The program includes long-term support to youth from year ten until they join the IDF and during their service in the military; the program aims to equip youngsters with a sense of competence, and a range of life skills and tools. The program focuses on preparing youth for a meaningful service in the IDF as a platform for integration in Israeli society and business sphere.
- **The 8200 Alumni Association in collaboration with the Follow Me! NGO** - a program with extensive national and social deployment for closing gaps and promoting equal opportunities by exposing youth to the field of technology, and allowing them to gain experiences in this field, while equipping them with tools and values of social responsibility and preparing them to a significant service in the IDF.
- **Lend a Hand to a Special Child** - setting up "The Phoenix Unit" as part of the "Special in Uniform" program at the Israeli Air Force base in Palmachim. The program focuses on integrating youth with disabilities in the IDF, as a key to success in life.

- **"Darca"** - a national network of schools that supports and assists schools in the periphery. As part of this activity, the Company adopts the Lehman school in Dimona.
- **"Football on the Spectrum"** - as part of the activity of "Hapoel Jerusalem F.C.", a social sports club was set up to empower high and medium functioning children on the autistic spectrum, and to promote coexistence through football, accepting the other and empowering the weak.
- **Assistance to the "Migdal Ohr" institutional network** – a charity with a country-wide network of schools and education programs in Migdal Haemek catering for thousands of at-risk children from all walks of life in Israeli society - from infancy to adolescence.

In addition, the Company supports many NGOs, such as:

- **"Adopt a Warrior" - Soldiers of Regiment 77**
- **"HaHevre Hatovim"**
- **"Yad Vashem"**
- **"Tal Center" - "Stop Cancer"**
- **Pre-Military Academies**
- **"Michal Sela" Forum**

The Company's monetary donations in the reporting year amounted to NIS 5 million. The donations were donated directly to the various organizations and NGOs.

7.7. **Company's policy regarding negligible transactions**

For further details on the Company's policy regarding negligible transactions, please see Note 42 to the Financial Statements.

7.8. **Internal auditor**

For further details on the internal auditor and the establishment of an internal audit function in the Company – please see Part E, Section 5.2 to the Report on the Company's Business.

7.9. **Independent Auditor**

For further details on the Company's independent auditor, please see Part E, Section 5.3 to Report on the Company's Business.

8. Disclosure Provisions Relating to the Corporation's Financial Reporting

8.1. Events after the balance sheet date

For further details regarding events subsequent to the balance sheet date, please see Note 44 to the Financial Statements.

8.2. Reporting critical accounting estimates

The Company does not make use of critical accounting estimates, the use of which and/or a reasonable change in which could have a significant impact on the Group's financial position and/or financial performance. For further details, please see Note 2 to the Financial Statements.

8.3. Dedicated disclosure for the Company's bondholders

Series/issuance date	Bonds Series 4	Bonds Series 5	Bonds Series 6
Rating agency	Midroog / Ma'alot	Midroog / Ma'alot	Midroog / Ma'alot
Rating as of the report date	Aa3.il ilAA /-	Aa3.il ilAA /-	Aa2.il ilAA /-
Par value on issuance date	NIS 391,384,000	NIS 822,616,000	NIS 300,000,000
Interest type	Non-linked	CPI-linked	Non-linked
Nominal interest	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	0.44%	1.94%
Effective interest rate on issuance date	1.7%	0.55%	5.24%
Listed on the TASE	Yes	Yes	Yes
Principal payment dates	2 equal annual installments of 12% on July 31 of each of the years 2020 and 2021 and 4 equal annual installments of 19% on July 31 of each of the years 2025 through 2028.	3 equal annual installments of 4% on July 1 of each of the years 2022 through 2024, one installment of 28% on May 1 2028, and 2 equal annual installments of 30% on May 1 of each of the years 2029 through 2030.	First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032.
Interest payment dates	Quarterly interest on January 31, April 30, July 31, and October 31	Semi-annual interest on May 1 and November 1	Semi-annual interest on June 30 and December 31
Nominal p.v. as of December 31, 2022	NIS 398 million	NIS 790 million	NIS 300 million
CPI-linked nominal p.v. as of December 31, 2022	NIS 398 million	NIS 850 million	NIS 300 million
Carrying number of bonds' outstanding balances as of December 31, 2022	NIS 396 million	NIS 838 million	NIS 297 million
Carrying amount of interest payable as of December 31, 2022	NIS 4.5 million	NIS 0.9 million	NIS 2.9 million
Market value as of December 31, 2022 (*)	NIS 395 million	NIS 762 million	NIS 250 million
Series' materiality	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970

(*) The market value includes interest accrued as of December 31, 2022.

Contractual restrictions and financial covenants

As part of the deed of trust of the Company's Series 4 bonds, the Company undertook not to place a general floating charge on its assets as long as the Series 4 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 4 bondholders. Furthermore, with respect to Series 4 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 4); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 2.9 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. For further details, please see the Shelf Offering Report Dated May 7 2019.

As part of the deed of trust of the Company's Series 5 bonds, the Company undertook not to place a general floating charge on its assets as long as the Series 5 bonds have not been repaid in full, unless it obtains the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the Series 5 bondholders.

Furthermore, with respect to Series 5 bonds, the Company assumed restrictions on dividend distribution; the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.2 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. In addition, a mechanism for adjusting the rate of change in interest rate due to noncompliance with financial covenants was set: In the event that the Company's shareholders' equity falls below NIS 3.5 billion, the annual interest rate will increase by the rate set in Section 5.9 of the Deed of Trust. For further details, please see the shelf offering report dated February 20, 2020.

As part of the deed of trust of the Company's Series 6 Bonds, the Company undertook not to place a general floating charge on its assets as long as Series 6 bonds are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 6 bondholders. Furthermore, with respect to Series 6 bonds, the Company assumed restrictions on distribution of dividends and expansion of the Bonds (Series 6); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.6 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 48% for two consecutive quarters. For further details, please see the Shelf Offering Report dated January 5, 2022.

As of balance sheet date, the Company complies with the financial covenants described above. The net financial debt ratio as of December 31, 2022 was approximately 4.4% (including Restricted Tier 1 capital instrument issued by The Phoenix Insurance through Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of December 31, 2022, was approximately NIS 10,145 million, which is higher than the above required shareholders' equity. For further details – please see Note 27 to the Company's Financial Statements as of December 31, 2022.

The members of the Board of Directors thank the Company's management, employees and agents for their contribution to the Company.

Benjamin Gabbay

Chairman of the Board of Directors

Eyal Ben Simon

Chief Executive Officer

March 22, 2023

Part 3
Financial
Statements - The
Phoenix Holdings



Table of Contents

	<u>Page</u>
Independent Auditors' Reports	3-3
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3-9
Consolidated Statements of Income	3-11
Consolidated Statements of Comprehensive Income	3-12
Consolidated Statements of Changes in Equity	3-13
Consolidated Statements of Cash Flows	3-16
Notes to the Consolidated Financial Statements.....	3-19
Appendix - Additional Information on Other Financial Investments	3-348

Appendix A - Auditors' report
to the shareholders of The Phoenix Holdings Ltd.

We have audited the accompanying consolidated statements of financial position of The Phoenix Holdings Ltd. and subsidiaries ("the Company") as of December 31, 2022 and 2021 the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 2.4% and 1.8% of a total consolidated assets as of December 31, 2022 and 2021, respectively, and whose revenues included in consolidation constitute approximately 2.9%, 0.6% and 2% of total consolidated revenues for the years ended December 31, 2022, 2021 and 2020, respectively. Furthermore, we did not audit the financial statements of certain companies accounted for at equity, The investment in which, at equity, amounted to approximately ILS 956,575 thousand and ILS 896,413 thousand as of December 31, 2022 and 2021, respectively, and the Company's share of their earnings amounted to approximately ILS 42,717 thousand, ILS 82,094 thousand and ILS 23,212 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, Based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and the results of their operations, changes in equity and their cash flows for each of the three years the latest of which ended on December 31, 2022, in accordance with International Financial Reporting Standards (IFRS) and in accordance with the disclosure requirements prescribed in the control of Financial Services (Insurance) Law, 1981.

Furthermore, in our opinion, based on our audit the reports of other accountants, the financial statements referred to above are prepared in accordance with the Securities Regulations (Preparation of Annual Financial Statements), 2010 to the extent that these regulations apply to companies consolidating insurance companies.

Without qualifying our opinion, we draw attention to Note 43 to the financial statements with respect to exposure to contingent liabilities.

Key Audit Matters:

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's Board of Directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures.

1. Measurement of liabilities for life and health insurance contracts:

The financial statements as of December 31, 2022 include material liabilities in respect of non yield dependent life and health insurance contracts at the total amount of ILS 17,302,012 thousand, and material liabilities in respect of yield dependent life and health insurance contracts at the total amount of ILS 73,226,857 thousand, as described in Notes 17 and 18 to the consolidated financial statements.

As described in Notes 2j and 41 (5.1) to the consolidated financial statements, the liabilities in respect of yield dependent and non yield dependent life and health insurance contracts are measured in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (Regulations and Circulars), International Financial Reporting Standards and accepted actuarial methods. The liabilities for life and health insurance contracts are measured, among other things, on the basis of an actuarial assessment, performed by the actuary in charge of a consolidated insurance company in accordance with the relevant coverage data, such as: age and gender of the insured, length of coverage, type of insurance, amount of insurance, etc.

A significant part of the reserves for life and health insurance contracts is based on actuarial estimates and various assumptions, and therefore involve inherent uncertainty. These reserves mainly include:

- Supplementary reserve for pension.
- LAT reserve (Liability Adequacy Test).
- Reserve for paid benefits and ongoing paid claims in long-term care insurance and disability insurance (loss of working capacity).

The main assumptions used in the measurement process of the above liabilities include cancellation assumptions, operating expenses, yield, interest rates, illiquidity premium, mortality, disability, pension uptake rates and morbidity. The assumptions are examined by the actuary in charge of the Company every year based on examinations, past experience and other relevant studies.

Due to the inherent uncertainty in the estimates used to measure liabilities for life and health insurance contracts, we determined that the measurement of liabilities for life and health insurance contracts is a key issue in the audit.

The audit procedures performed in response to the key audit matter

The audit procedures we performed regarding the examination of the measurement of liabilities for life and health insurance contracts included the following procedures:

- We examined the planning and implementation of internal controls related to the measurement process of liabilities for life and health insurance contracts and performed procedures to test the effectiveness of those internal controls including the main controls in the environment of the information systems used for data processing and the flow of information for financial reporting purposes.

- We examined that the methodology for measuring the liabilities for life and health insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts" and the requirements established by the Commissioner for the Capital Market, Insurance and Savings.
- We examined, with the help of actuarial experts on our behalf, on a model basis and based on our risk assessment, the reasonableness of the assumptions and the main data that served as a basis for the models that were applied for the purpose of measuring the liabilities for life and health insurance contracts.
- We applied analytical procedures in order to identify and analyze unusual material changes.
- We examined, with the help of actuarial experts on our behalf, on a sample basis and based on our risk assessment, material studies carried out by the consolidated insurance company during the reporting period and their application in the calculation of reserves.

In addition, we assessed the adequacy of the main disclosures about liabilities for life and health insurance contracts in the consolidated financial statements.

2. Measurement of liabilities in respect of insurance contracts in property and casualty insurance:

The financial statements as of December 31, 2022 include material liabilities for general insurance contracts in the amount of ILS 7,140,483 thousand, as described in Note 19 to the consolidated financial statements.

As described in Note 2j and 41 (5.2) to the consolidated financial statements, these liabilities are measured according to the estimated cost of settling the insurance claims and include the expected cost of the claims that have occurred and been reported, claims that have occurred but not yet reported or underreported (IBNR and IBNER), provision for a premium that has not yet been earned, a provision for premium deficiency and direct and indirect expenses for settlement of claims.

The measurement of liabilities for insurance contracts in general insurance is mainly based on actuarial estimates. The actuarial assessment is based on statistical estimates that include an element of uncertainty. The statistical estimates are based on various assumptions, which may not necessarily materialize. The assumptions used in the actuarial forecast affect the measurement of the provision. The actual cost of claims may be higher or lower than the statistical estimates.

In some branches of insurance, the inherent uncertainty is higher, especially in motor act and vehicle liability claims characterized by a "long tail", where sometimes, a long time passes from the date of the incident to the date of the final settlement of the claim. Note 19 to the financial statements shows the development of the assessment of the liabilities in the motor act and vehicle liability.

Due to the inherent uncertainty in the estimates used to measure liabilities for insurance contracts in general insurance, we determined that the measurement of liabilities for insurance contracts in general insurance is a key issue in the audit.

The audit procedures carried out in response to the key issue

The audit procedures we performed regarding the examination of the measurement of liabilities for insurance contracts in general insurance included the following procedures:

- We examined the planning and implementation of internal controls related to the measurement process of liabilities for insurance contracts in general insurance and performed procedures to test the effectiveness of those internal controls, including the controls in the environment of the information systems used for data processing and the flow of information for financial reporting purposes.
- We examined that the methodology for measuring the liabilities for insurance contracts in general insurance is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts" and in accordance with the requirements established by the Commissioner for the Capital Market, Insurance and Savings.

- We examined, with the help of actuarial experts on our behalf, on a model basis and based on our risk assessment, the plausibility of the assumptions and the main data that served as a basis in the models that were applied for the purpose of measuring the liabilities for insurance contracts in general insurance.
- We applied analytical procedures in order to identify and analyze unusual material changes.

In addition, we assessed the adequacy of the main disclosures in the financial statements about liabilities for insurance contracts in general insurance.

3. Measurement of fair value of unquoted investments:

As described in Notes 9, 13 and 14 to the consolidated financial statements, the balance of unquoted investments and the balance of investment property as of December 31, 2022, amount to approximately ILS 50,722 million and approximately ILS 3,290 million, respectively.

The fair value of unquoted debt assets measured at fair value as well as of unquoted debt assets, for which information regarding the fair value is provided for disclosure purposes only, are determined by discounting the estimated cash flows expected for them. The interest rates used for capitalization are determined by the Fair Spread.

The fair value of investments in unquoted shares is mainly based on external valuations, and in investment and hedge funds it is mainly based on the fair value of the underlying assets or valuations and is determined in accordance with the fund's reports. Valuation techniques are subjective in nature and incorporate various assumptions and the use of estimates that significantly affect the fair value.

The fair value of investment property is based on valuations performed by external appraisers, and include estimates and assumptions such as estimated rental prices and discount rates.

In some unquoted investments, in particular those classified as level 3 in the fair value scale in accordance with IFRS 13, such as unquoted shares, investment funds and investment property, the inherent uncertainty in fair value measurement is high, since this measurement includes data which are not based on observable market data.

Changes in the estimates, assumptions or estimates used in the valuations may have a significant impact on the determination of the fair value of the unquoted assets.

In addition, the fair value measurement has an effect on the allocation of the gap between the book value and the fair value of the assets that are not measured in the statement of financial position at fair value ("UGL"), for the purpose of calculating the Liability Adequacy Test ("LAT").

Due to the inherent uncertainty regarding the estimates, assumptions and evaluations as mentioned above, we determined that the measurement of the fair value of the unquoted investments is a key issue in the audit.

The audit procedures carried out in response to the key issue

The audit procedures we performed regarding the examination of the measurement of the fair value of unquoted investments included the following procedures:

- We examined the design and implementation of internal controls related to the process of determining the fair value of unquoted investments and performed procedures to test the effectiveness of those internal controls, including controls regarding the adequacy of the data and assumptions used in the valuations and the reasonableness of the valuations.
- Examining the methodology for measuring the fair value of unquoted investments applied by the Group companies.

- Conducting inquiries with the financiers and officials in the Group's investment department for the purpose of obtaining an understanding regarding transactions, developments, and material revaluations for the period as well as regarding material changes, as far as they occurred, in the data, assumptions and models compared to those used in the previous year.
- For certain valuations, the assistance of experts on our behalf to examine the reasonableness of the estimates and the main assumptions underlying the valuations.
- We performed a sample examination of the fair value of the unquoted investments in the consolidated financial statements against the valuations received by the Group companies from external experts, against the quotations of Fair Spread. and against the consolidated financial statements and the reports of the investment funds as appropriate.
- We performed a sample examination of the database that was used for obtaining a quote from the Fair Spread. against loan agreements.

We also audited, in accordance with Audit Standard (Israel) 911 of the Israel Institute of Certified Public Accountants "Audit of Internal Control Components over Financial Reporting" internal control components over financial reporting of the Company as of December 31, 2022, and our report dated March 22, 2023 included an unqualified opinion about the existence of those components effectively.

Assets	Note	As of December 31	
		2022	2021
		NIS thousand	
Intangible assets	5	2,991,526	2,775,060
Deferred tax assets	23	72,649	67,650
Deferred acquisition costs	6	2,453,383	2,010,648
Property, plant & equipment	7	1,151,443	902,239
Investments in associates	8	1,593,737	1,346,383
Investment property in respect of yield-dependent contracts	9	2,142,074	2,062,862
Investment property - other	9	1,147,899	1,124,834
Reinsurance assets	17,18	3,172,249	2,806,546
Credit for purchase of securities	10	765,000	497,000
Current tax assets		157,835	108,134
Receivables and debit balances	11	730,293	712,624
Held-for-sale asset		18,387	-
Premiums collectible	12	757,329	672,556
Financial investments in respect of yield-dependent contracts	13	77,394,271	81,098,659
Financial investments for holders of certificates of deposits and structured bonds	13A, 26	201,000	206,000
Credit assets in respect of factoring, clearing and financing	14	3,443,337	2,550,392
Other financial investments:			
Liquid debt assets	14	5,659,895	7,472,933
Illiquid debt assets	14	16,461,500	13,964,441
Shares	14	2,402,272	2,761,897
Other	14	5,002,823	4,498,971
Total other financial investments		29,526,490	28,698,242
Cash and cash equivalents in respect of yield-dependent contracts	15A	16,358,509	13,785,593
Other cash and cash equivalents	15B	3,439,766	2,154,153
Total assets		147,517,177	143,579,575
Total assets in respect of yield-dependent contracts	13	96,055,588	97,116,663

The accompanying notes are an integral part of the consolidated financial statements.

	Note	As of December 31	
		2022	2021
		NIS thousand	
EQUITY	16		
Share capital		311,640	310,323
Premium and capital reserves in respect of shares		851,918	849,309
Treasury shares		(155,628)	(99,769)
Capital reserves		1,123,705	1,261,509
Retained earnings		8,013,123	7,331,992
Total equity attributed to the Company's shareholders		10,144,758	9,653,364
Non-controlling interests		388,640	269,725
Total equity		10,533,398	9,923,089
Liabilities			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	17	25,458,496	25,112,986
Liabilities in respect of insurance contracts and yield-dependent investment contracts	18	94,042,093	95,628,584
Liabilities in respect of deferred taxes	23	589,897	873,302
Liability for employee benefits, net	24	66,667	72,401
Liability in respect of current taxes		64,793	28,528
Payables and credit balances	25	3,455,571	2,923,003
Liabilities in respect of structured products	26	200,698	205,000
Financial liabilities	27	13,105,564	8,812,682
Total liabilities		136,983,779	133,656,486
Total equity and liabilities		147,517,177	143,579,575

Benjamin Gabbay
Chairman of the Board of
Directors

Eyal Ben Simon
Chief Executive Officer

Eli Schwartz
Executive Vice President, CFO

Approval date of the financial statements - March 22, 2023

The accompanying notes are an integral part of the consolidated financial statements.

	Note	For the year ended December 31		
		2022	2021	2020
		NIS thousand		
Premiums earned, gross	28	12,137,231	11,161,431	10,382,652
Premiums earned by reinsurers	28	1,570,094	1,345,459	1,328,978
Premiums earned - retention	28	10,567,137	9,815,972	9,053,674
Investment income (losses), net and finance income	29	(5,554,831)	14,626,925	5,479,706
Income from management fees	30	1,547,728	2,049,366	1,357,189
Income from fees and commissions	31	835,912	691,414	556,051
Income from other financial services	32	223,000	154,000	159,000
Income from factoring and clearing	33A	142,754	52,871	-
Other income	33B	144,780	708,186	131,846
Total income		7,906,480	28,098,734	16,737,466
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross		2,988,830	22,658,016	12,529,564
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts		1,023,801	802,092	826,690
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	34	1,965,029	21,855,924	11,702,874
Fees and commissions, marketing expenses and other purchase expenses	35	1,933,805	1,696,075	1,750,103
General and administrative expenses	36	1,805,284	1,675,317	1,360,028
Other expenses	38	91,096	67,454	54,885
Finance expenses	39	318,534	218,002	146,509
Total expenses		6,113,748	25,512,772	15,014,399
Share in profits of equity-accounted investees	8	61,548	111,504	39,697
Net income before taxes on income		1,854,280	2,697,466	1,762,764
Taxes on income	23	504,336	673,554	553,829
Net income for the year		1,349,944	2,023,912	1,208,935
Attributed to:				
Company's shareholders		1,257,124	1,964,696	1,169,023
Non-controlling interests		92,820	59,216	39,912
Net income for the year		1,349,944	2,023,912	1,208,935
Earnings per share attributable to the Company's shareholders (in NIS):	40			
Basic earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		5.00	7.76	4.57
Diluted earnings per share				
Earnings per ordinary share of NIS 1 par value (in NIS)		4.91	7.64	4.57

The accompanying notes are an integral part of the consolidated financial statements.

	Note	For the year ended December 31		
		2022	2021	2020
		NIS thousand		
Net income for the year		<u>1,349,944</u>	<u>2,023,912</u>	<u>1,208,935</u>
Other comprehensive income (loss):				
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>				
Net change in fair value of financial assets classified as available for sale, carried to capital reserves		(685,971)	1,176,873	455,703
Net change in fair value of financial assets classified as available for sale, carried to the income statement		(318,278)	(811,111)	(516,761)
Gain on impairment of financial assets classified as available for sale, carried to the income statement		612,492	159,522	324,220
Company's share in other comprehensive income (loss), net of equity-accounted companies		27,511	(18,608)	(3,412)
Tax effect	23	<u>133,322</u>	<u>(179,619)</u>	<u>(89,697)</u>
Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss		<u>(230,924)</u>	<u>327,057</u>	<u>170,053</u>
<u>Amounts that shall not be subsequently reclassified to profit or loss</u>				
Revaluation of property, plant, and equipment	7	124,168	29,342	17,314
Actuarial gain (loss) in respect of defined benefit plans	24	3,684	(2,882)	497
Company's share in other comprehensive income (loss), net of equity-accounted companies		-	3,479	-
Tax effect		<u>(29,602)</u>	<u>(5,886)</u>	<u>(4,190)</u>
Total components of other comprehensive income that shall not be subsequently reclassified to profit or loss		<u>98,250</u>	<u>24,053</u>	<u>13,621</u>
Total other comprehensive income (loss), net		<u>(132,674)</u>	<u>351,110</u>	<u>183,674</u>
Total comprehensive income for the year		<u>1,217,270</u>	<u>2,375,022</u>	<u>1,392,609</u>
<u>Attributed to:</u>				
Company's shareholders		1,123,907	2,316,035	1,352,697
Non-controlling interests		<u>93,363</u>	<u>58,987</u>	<u>39,912</u>
Comprehensive income for the year		<u>1,217,270</u>	<u>2,375,022</u>	<u>1,392,609</u>

The accompanying notes are an integral part of the consolidated financial statements.

	Attributed to Company's shareholders												
		Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets		Non-controlling interests	Total equity
	Share capital										Total		
NIS thousand													
Balance as of January 1, 2022	310,323	849,309	(99,769)	7,331,992	(45,655)	11,000	51,652	131,354	(41,946)	1,155,104	9,653,364	269,725	9,923,089
Net income	-	-	-	1,257,124	-	-	-	-	-	-	1,257,124	92,820	1,349,944
Other comprehensive income (loss)	-	-	-	2,097	-	-	-	95,610	27,511	(258,435)	(133,217)	543	(132,674)
Total comprehensive income (loss)	-	-	-	1,259,221	-	-	-	95,610	27,511	(258,435)	1,123,907	93,363	1,217,270
Share-based payment	-	(2,362)	-	-	-	-	17,556	-	-	-	15,194	-	15,194
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(74,665)	(74,665)
Purchase of treasury shares (see Note 16D)	-	-	(55,859)	-	-	-	-	-	-	-	(55,859)	-	(55,859)
Commencement of consolidation (Note 4)	-	-	-	-	-	-	-	-	-	-	-	53,886	53,886
Exercise of employee options (see Note 16)	1,317	4,971	-	-	-	-	(6,288)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,910	-	-	-	(2,910)	-	-	-	-	-
Dividend (Note 16)	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)	-	(581,000)
Allocation of shares of a consolidated subsidiary to minority interests (Note 8E(9))	-	-	-	-	3,587	-	-	-	-	-	3,587	49,713	53,300
Acquisition of non-controlling interests	-	-	-	-	(14,435)	-	-	-	-	-	(14,435)	(3,382)	(17,817)
Balance as of December 31, 2022	311,640	851,918	(155,628)	8,013,123	(56,503)	11,000	62,920	224,054	(14,435)	896,669	10,144,758	388,640	10,533,398

The accompanying notes are an integral part of the consolidated financial statements.

	Attributed to Company's shareholders										Total	Non-controlling interests	Total equity
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets			
	NIS thousand												
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	111,908	8,081,830
Net income	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696	59,216	2,023,912
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339	(229)	351,110
Total comprehensive income (loss)	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035	58,987	2,375,022
Share-based payment	-	13,083	-	-	-	-	9,715	-	-	-	22,798	-	22,798
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(34,481)	(34,481)
Acquisition of treasury shares (Note 16D)	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)	-	(73,358)
Commencement of consolidation (Note 8E(9))	-	-	-	-	-	-	-	-	-	-	-	123,564	123,564
Exercise of employee options	372	2,634	-	-	-	-	(3,006)	-	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-	-	-
Dividend	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)	-	(580,000)
Transaction with minority interest	-	-	-	-	1,223	-	-	-	-	-	1,223	5,632	6,855
Allocation of shares of a consolidated subsidiary to minority interests	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)	4,115	859
Balance as of December 31, 2021	310,323	849,309	(99,769)	7,331,992	(45,655)	11,000	51,652	131,354	(41,946)	1,155,104	9,653,364	269,725	9,923,089

The accompanying notes are an integral part of the consolidated financial statements.

	Attributed to Company's shareholders										Non-controlling interests	Total equity
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets		
	NIS thousand											
Balance as of January 1, 2020	309,951	830,437	-	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585	6,742,524
Net income	-	-	-	1,169,023	-	-	-	-	-	-	1,169,023	1,208,935
Other comprehensive income (loss)	-	-	-	290	-	-	-	13,331	(3,412)	173,465	183,674	183,674
Total comprehensive income (loss)	-	-	-	1,169,313	-	-	-	13,331	(3,412)	173,465	1,352,697	1,392,609
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051	8,051
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(31,971)	(31,971)
Acquisition of treasury shares	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)	(26,411)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,000)	(3,000)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	28	28
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,180	-	-	-	(2,180)	-	-	-	-
Balance as of December 31, 2020	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922	8,081,830

The accompanying notes are an integral part of the consolidated financial statements.

		For the year ended December 31		
		2022	2021	2020
Appendix		NIS thousand		
<u>Cash flows from operating activities</u>				
Net income for the year		1,349,944	2,023,912	1,208,935
Adjustments required to present cash flows from operating activities	(a)	<u>1,379,463</u>	<u>2,523,387</u>	<u>3,562,529</u>
Net cash from operating activities		<u>2,729,407</u>	<u>4,547,299</u>	<u>4,771,464</u>
<u>Cash flows from investing activities</u>				
Purchase of property, plant and equipment		(190,135)	(78,390)	(137,587)
Proceeds from disposal of property, plant and equipment		342	201	1,158
Investment in associates		(160,281)	(61,767)	(44,845)
Dividend from associates		41,580	19,405	13,089
Acquisition of consolidated companies consolidated for the first time	(b)	(9,775)	(475,521)	(86,665)
Sale of previously-consolidated subsidiary	(c)	-	596,166	-
Acquisition of minority interest in a consolidated company		(17,817)	-	(3,000)
Change in loans granted to associates		(3,688)	90	(8,173)
Proceeds from disposal of investment in associate		108,158	24,288	19,746
Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios		30,372	43,934	-
Acquisition and capitalization of intangible assets costs		<u>(334,726)</u>	<u>(283,387)</u>	<u>(233,430)</u>
Net cash used in investing activities		<u>(535,970)</u>	<u>(214,981)</u>	<u>(479,707)</u>
<u>Cash flows from financing activities</u>				
Issuance of shares to non-controlling interests in a consolidated company		49,713	-	-
Acquisition of Company shares		(55,859)	(73,358)	(26,411)
Short term credit from banks, net		420,000	90,000	(21,000)
Repayment of financial liabilities		(651,637)	(207,270)	(551,121)
Dividend to shareholders		(581,000)	(580,000)	-
Repayment of lease liability principal		(50,082)	(37,347)	(41,646)
Change in liability for REPO, net		708,302	(389,315)	388,837
Issuance of financial liabilities		1,910,320	829,080	657,530
Dividend paid to non-controlling interests		(74,665)	(34,481)	(31,971)
Repayment of contingent liability in respect of a put option to non-controlling interests		<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities		<u>1,665,092</u>	<u>(402,691)</u>	<u>374,218</u>
<u>Increase in cash and cash equivalents</u>				
<u>Balance of cash and cash equivalents at beginning of year</u>	(d)	<u>15,939,746</u>	<u>12,010,119</u>	<u>7,344,144</u>
Cash and cash equivalents balance at end of the year	(d)	<u>19,798,275</u>	<u>15,939,746</u>	<u>12,010,119</u>

The accompanying notes are an integral part of the consolidated financial statements.

		For the year ended December 31		
		2022	2021	2020
		NIS thousand		
a.	<u>Adjustments required to present cash flows from operating activities (1) (2):</u>			
	<u>Items not involving cash flows</u>			
	Net (gains) on financial investments in respect of insurance contracts and yield-dependent investment contract	7,404,308	(12,117,791)	(4,356,557)
	Change in fair value of investment property in respect of yield-dependent contracts	(199,182)	(228,229)	(25,857)
	<u>Net (gains) losses on other financial investments</u>			
	Liquid debt assets	137,976	(284,661)	(166,427)
	Illiquid debt assets	(1,449,128)	(852,872)	(581,800)
	Shares	(155,913)	(376,472)	24,735
	Other	691,349	(444,387)	(228,807)
	Depreciation and amortization	408,658	354,191	300,140
	Loss from disposal of property, plant and equipment	-	-	-
	Gain from sale of provident funds	(14,185)	-	-
	Change in fair value of investment property	(96,200)	(160,567)	(53,004)
	Gain on disposal of real estate properties	-	-	-
	Change in impairment of property, plant and equipment	-	1,982	(7,957)
	Gain on notional disposal as a result of gaining control of an investee	(109,586)	(645,930)	(67,268)
	Change in financial liabilities	1,899,625	30,749	853,786
	Income tax expenses	504,336	673,554	553,829
	Company's share in the profits of associates, net	(61,548)	(111,504)	(39,697)
	Payroll expenses in respect of share-based payment	17,556	9,715	4,896
	<u>Changes in other balance sheet line items, net:</u>			
	Change in liabilities in respect of non-yield-dependent insurance contracts	345,510	1,643,099	277,697
	Change in liabilities in respect of yield-dependent contracts	(1,586,491)	18,771,671	5,766,036
	Change in liabilities for bonds, ETFs	(4,302)	(33,000)	(44,000)
	Change in financial investments for holders of ETFs, certificates of deposit	5,000	33,000	45,000
	Change in credit assets in respect of factoring, clearing and financing	(892,945)	(266,861)	-
	Change in deferred acquisition costs	(442,735)	(278,971)	20,917
	Change in reinsurance assets	(365,703)	(274,887)	(183,938)
	Change in liabilities for employee benefits, net	(2,469)	2,635	7,306
	Change in accounts receivable and collectible premiums	(123,460)	(219,222)	28,325
	Change in payables and credit balances	506,544	393,714	306,867
	Change in credit for purchase of securities	(268,000)	(94,000)	(96,000)
	Change in loans granted to associates	(1,100)	(3,816)	(1,938)
	<u>Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:</u>			
	Acquisition of real estate properties	(99,874)	(138,251)	(259,654)
	Proceeds on sale of real estate properties	219,844	143,194	-
	Acquisitions of financial investments, net	(3,699,920)	(3,410,421)	3,091,025
	<u>Financial investments and other investment property:</u>			
	Acquisitions of financial investments, net	(540,903)	1,232,033	(1,264,985)
	Proceeds on sale of real estate properties	119,054	71,810	-
	Acquisition of real estate properties	(58,419)	(99,526)	(128,350)
	<u>Cash paid and received during the year for:</u>			
	Taxes paid	(765,600)	(985,771)	(354,687)
	Taxes received	57,366	189,179	142,896
	Total cash flows provided by operating activities	<u>1,379,463</u>	<u>2,523,387</u>	<u>3,562,529</u>

- (1) Cash flows from operating activities include cash flows in respect of acquisition and sale of financial investments and investment property arising from insurance contracts and investment contracts activities.
- (2) Cash flows from operating activities include cash flows in respect of dividend and interest received, as described in this appendix.

The accompanying notes are an integral part of the consolidated financial statements.

		For the year ended December 31		
		2022	2021	2020
		NIS thousand		
b.	<u>Acquisition of consolidated companies consolidated for the first time</u>			
	<u>Assets and liabilities of the consolidated companies as of acquisition date:</u>			
	Working capital (excluding cash and cash equivalents)	27,944	44,955	(4,288)
	Financial assets	-	(44,915)	-
	Deferred acquisition costs	-	(19,047)	-
	Credit in respect of factoring, clearing and financing	-	(2,283,531)	-
	Property, plant and equipment, net	(877)	(46,291)	(10,710)
	Goodwill arising from acquisition	(79,216)	(430,593)	(154,549)
	Intangible assets	(111,217)	(336,031)	(83,796)
	Deferred taxes	23,020	43,559	22,012
	Financial liabilities	8,614	2,055,394	12,309
	Minority interests	53,886	123,564	28
	Investments in investees	(72,109)	271	-
	Disposal of investment in an associate	115,627	342,728	78,677
	Liability for payment in respect of acquisition of an investee	24,134	13,788	6,741
	Liabilities for employee benefits	419	10,628	-
	Loan from parent company	-	50,000	46,911
		<u>(9,775)</u>	<u>(475,521)</u>	<u>(86,665)</u>
c.	<u>Sale of previously-consolidated subsidiary</u>			
	Working capital (excluding cash and cash equivalents)	-	(14,656)	-
	Property, plant & equipment	-	81,553	-
	Investment property	-	1,753,667	-
	Intangible assets	-	23,848	-
	Financial liabilities	-	(629,015)	-
	Liabilities for employee benefits	-	(3,106)	-
	Deferred taxes	-	(246,153)	-
	Investment in an associate	-	(710,767)	-
	Capital gain from the disposal of a subsidiary	-	340,795	-
		<u>-</u>	<u>596,166</u>	<u>-</u>
d.	<u>Cash and cash equivalents</u>			
	Balance of cash and cash equivalents at beginning of year:			
	Cash and cash equivalents	2,154,153	1,545,903	1,731,709
	Cash and cash equivalents in respect of yield-dependent contracts	<u>13,785,593</u>	<u>10,464,216</u>	<u>5,612,435</u>
		<u>15,939,746</u>	<u>12,010,119</u>	<u>7,344,144</u>
	Balance of cash and cash equivalents at end of year:			
	Cash and cash equivalents	3,439,766	2,154,153	1,545,903
	Cash and cash equivalents in respect of yield-dependent contracts	<u>16,358,509</u>	<u>13,785,593</u>	<u>10,464,216</u>
		<u>19,798,275</u>	<u>15,939,746</u>	<u>12,010,119</u>
e.	<u>Significant non-cash activities</u>			
	Recognition of right-of-use asset against a lease liability	(52,319)	(31,241)	(8,383)
F.	<u>Breakdown of amounts included in operating activities</u>			
	Interest paid	178,990	125,850(*)	114,416(*)
	Interest received	957,447	758,536	608,612
	Dividend received	47,571	57,702	32,215

(*) Reclassified.

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - GENERAL**A. Activity of the Reporting Entity**

The Phoenix Holdings Ltd. (hereinafter - the "Company" or "The Phoenix") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. The Company's consolidated financial statements as of December 31, 2022 include the financial statements of the Company and its subsidiaries and investments in associates (hereinafter, jointly - the "Group"). The Group mainly engages in the areas of insurance, pension and provident funds, holding insurance agencies, providing credit, and financial services. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange.

B. Control of The Phoenix Holdings

The controlling shareholder of the Company since November 2019 is Belenus Lux S.à.r.l. (hereinafter - "Belenus"), which is indirectly held through a chain of companies, by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds"), that hold 33.1% of the Company's issued and paid up share capital as of the report date.

On December 13, 2022, Belenus informed the Company that the entities that have an indirect control therein signed an unbinding memorandum of understanding that includes the key terms whereby a consortium composed of ADQ Developmental Holding LLC, Gallatin Point Capital LLC and other investors will acquire the controlling core in the Company through a joint corporation that will be established. For further details, please see the Company's report dated December 13, 2022 (Ref. No.: 2022-01-150541).

C. Effects of inflation and increase in interest rates

Following global macroeconomic developments that took place in the reporting period and through the report publication date, inflation rates in Israel and across the world increased. As part of the steps taken to keep inflation under control, central banks across the world, including the Bank of Israel, started announcing interest rates hikes. Changes in inflation and interest rates affect the financial results of the Company and in particular those of The Phoenix Insurance. For more information regarding the effect on the Company's financial results of the change in interest rate in the reporting periods, see Note 41, Section 5.1.10. and the sensitivity of the financial results to changes in inflation and interest rates, see Note 41, section 3.2. For information regarding the recoverability of intangible assets, see Note 5.

D. Amendment to a Shareholders Agreement in The Phoenix Capital Ltd.

On June 29, 2022, the parties signed an addendum to the agreement, which regulated issues which are not material to the Company; the addendum also regulates the manner by which The Phoenix Capital is managed; among other things, and as part of the implementation of the Company's strategic plan, the addendum made changes to the decision-making processes in The Phoenix Capital, such that decisions are made based on the parties' stake in the company. As a result of the said amendment, the Company changed the recording of its holding in The Phoenix Capital from joint control to control. The Company recognized in its financial statements in the second quarter of 2022, a one-off pre-tax and post-tax capital gain of NIS 87 million as a result of assuming control. For further details, please see Note 4.

E. Transfer of Phoenixclass from The Phoenix Investments to The Phoenix Insurance

On March 31, 2022, Phoenixclass' shares were transferred to The Phoenix Insurance. As part of the completion of the transfer of Phoenixclass' shares to the Company, and in accordance with the Circular on Allocation on Non-Marketable Assets applicable to the Company, the latter carried out a valuation of Phoenixclass' shares through an external independent appraiser. In accordance with the valuation, during the first quarter of 2022, the Company recognized a one-off pre-tax earning of NIS 99 million from revaluation of excess fair value of the investment against LAT in the health insurance segment. For further details, please see Note 8.

NOTE 1 - GENERAL (cont.)

F. Definitions

In these financial statements –

The Company	The Phoenix Holdings Ltd.
The Group	The Phoenix Holdings Ltd. and its consolidated companies.
The Phoenix Insurance	The Phoenix Insurance Company Ltd., a wholly-owned subsidiary.
The Phoenix Investments	The Phoenix Investments and Finances Ltd., a wholly-owned subsidiary.
Ad 120	Ad 120 Residence Centers for Senior Citizens Ltd., on the sale of control, see Section F above.
The Phoenix Investment House	The Phoenix Investment House Ltd. (formerly Excellence Investments Ltd.), a subsidiary of Phoenix Investments, is a wholly-owned subsidiary of the Company.
The Phoenix Capital Raising	The Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of The Phoenix Insurance.
The Phoenix Pension and Provident Fund	The Phoenix Pension and Provident Fund Ltd. (formerly The Phoenix Excellence Pension and Provident Funds Ltd.), a wholly-owned subsidiary of the Company.
The Phoenix Advanced Investments	The Phoenix Advanced Investments (formerly Halman Aldubi Investment House Ltd.) is a wholly-owned subsidiary of The Phoenix Investments.
The Phoenix Agencies	The Phoenix Insurance Agency (1989) Ltd., a wholly-owned subsidiary of the Company as from April 18, 2019; until then, it was wholly-owned by The Phoenix Insurance.
Oren Mizrach	Oren Mizrach Insurance Agency Ltd., a subsidiary in which The Phoenix Agencies is a controlling shareholder.
NIS	Shekel Insurance Agency Ltd., a subsidiary wholly-owned by The Phoenix Agencies.
Agam Holdings	Agam Leaderim Holdings (2001) Ltd., a subsidiary in which The Phoenix Agencies is a controlling shareholder.
Agam Leaderim	Agam Leaderim Insurance Agency (2003), Ltd, a subsidiary in which Agam Holdings is a controlling shareholder.
Gama Management and Clearing	Gama Management and Clearing Ltd., a subsidiary in which The Phoenix Investments is a controlling shareholder.
Phoeniclass	Phoeniclass Ltd., an investee of The Phoenix Investments and The Phoenix Insurance.
Haphen-Tao Holdings	Haphen-Tao Holdings Limited Partnership Ltd., an investee of The Phoenix Insurance.
Delek Group	Delek Group Ltd., the parent company of the Company until November 4, 2019.

NOTE 1 - GENERAL (cont.)

F. Definitions (cont.)

Belenus Lux S.a.r.l	The controlling shareholder, held in directly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "Funds").
Leolin Lux S.a.r.l	Holds 0.33% of the Company's share capital and is indirectly held by the Funds through a chain of companies.
Consolidated companies/ subsidiaries	Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the financial statements of the Company.
Associates	Companies over the financial and operating policies of which the Company has significant influence, but not control, and the Company's investment in which is presented in the Company's consolidated financial statements based on the equity method.
Investees	Consolidated companies, and companies or partnerships, the Company's investments in which are included in the financial statements based on the equity method.
Related parties	As defined by IAS 24, Related Parties.
Interested parties and controlling shareholder	As defined in the Securities Regulations (Annual Financial Statements), 2010.
The Supervisor or Commissioner	The Commissioner of the Capital Market, Insurance and Savings.
The Supervision Law	Financial Services Supervision Law (Insurance), 1981
The Capital Regulations	Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required of an Insurer), 1998, including amendments thereto.
Investment Rules	Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the circular entitled Investment Rules Applicable to Institutional Entities.
Reporting Information Regulations	Supervision of Insurance Business Regulations (Reporting), 1998, and amendments thereto.
Insurance contracts	A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insurance event) adversely affects the policyholder.
Investment contracts	Policies that do not constitute insurance contracts.
Yield-dependent contracts	Insurance contracts and investment contracts in the life and health insurance segments in which the liabilities for the savings or risk components are linked to the yields on the investment portfolio (participating policies), or are derived from such contracts.
Assets for yield-dependent contracts	Total assets against liabilities arising from yield-dependent contracts.
Reinsurance assets	Reinsurers' share in insurance reserves and contingent claims.
Liabilities in respect of insurance contracts	Insurance reserves and contingent claims in life insurance, property and casualty insurance and health insurance.
Premiums	Premiums including fees.
Premiums earned	Premiums relating to the reporting period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, a class of land and buildings included in property, plant and equipment, available-for-sale financial assets, financial assets and liabilities (including derivative instruments), presented at fair value through profit and loss, provisions, assets and liabilities for employee benefits, investments in associates, and insurance liabilities.

For further information about the measurement of these assets and liabilities, please see Sections J-N below.

B. Statement of compliance with International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS"). The financial statements have been prepared in accordance with the disclosure requirements prescribed by the Financial Services Supervision Law (Insurance) Law, 1981 and the regulations promulgated thereunder, and the Securities Regulations (Preparation of Annual Financial Statements), 2010, insofar as these regulations apply to insurance companies.

The accounting policies applied to the financial statements have been applied consistently across all the periods presented, unless stated otherwise.

C. Significant considerations, estimates and assumptions used in the preparation of the financial statements

The considerations

In applying the Group's significant accounting policies, management took into account the following issues, which have the most material effect on the amounts recognized in the financial statements:

1. Classification of insurance contracts and investment contracts

Insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract, or class of similar contracts, management considers whether they embody a significant insurance risk and should therefore be classified as either insurance contracts or investment contracts.

2. Classification and designation of financial investments

The Group's management exercised judgment in classifying and designating the financial investments into the following classes:

- Financial assets measured at fair value through profit and loss.
- Held-to-maturity investments.
- Loans and receivables.
- Available-for-sale financial assets.

Please see Note 2.K.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital**

The financial liability is measured at amortized cost if it contains an embedded derivative. Where there is an embedded derivative, the entire liability will be measured at fair value, or alternatively, bifurcated into a derivative that will be measured at fair value and the remaining liability will be measured at amortized cost. The Company checked whether an embedded derivative exists, but in view of the fact that the triggers for writing-off the reserve are triggers which are not defined as financial triggers in accordance with the Company's accounting policy (since they are impacted by the solvency ratio and the existence of a going concern emphasis of matter), the Company reached the conclusion that there is no embedded derivative, and therefore the letter of undertaking will be measured at amortized cost. For further information, please see Note 27.

Estimates and assumptions

Preparation of the financial statements requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in the accounting estimates are charged in the period in which the change in estimate is made.

When formulating accounting and actuarial estimates used in the preparation of the Group's financial statements, the Group's management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group's management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate.

It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the areas of insurance, pension, and provident funds, and there is uncertainty as to the manner of their materialization and implications.

Following are the main assumptions used in the financial statements concerning uncertainties as of the balance sheet date, and key estimates calculated by the Group. Significant changes in those estimates and assumptions may change the value of assets and liabilities in the financial statements in the subsequent year:

1. Liabilities in respect of insurance contracts

These liabilities are based on actuarial valuation methods and on estimates as to demographic and economic variables. The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts. For further information, please see Note 41 (5).

For information about changes in principal assumptions used to calculate insurance liabilities in life insurance, please see Note 41.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****2. Contingent liabilities**

Several lawsuits and petitions to approve lawsuits as class actions are pending against the Group. When assessing the chances lawsuits filed against the Company and its investees, the companies relied on the opinions of their legal counsel. These opinions are issued based on the best of the legal counsels' professional judgment, and take into account the current stage of the proceedings as well as legal experience gained on various matters. Since the outcomes of the lawsuits will ultimately be determined in the courts, these outcomes may differ from those assessments; the potential consequences are changes to the amount of the provision in respect of the lawsuit, or making no provision for the lawsuit. For further information, please see Note 43.

In addition to the aforesaid claims, the Company is exposed claims/lawsuits that have not yet been claimed/filed, where, among other things, there is doubt as to the interpretation of an agreement and/or the provisions of the law and/or the manner of their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customers' contacting the Group's functions, in particular the Group's ombudsman, through customers' complaints to the Public Enquiries Unit in the Commissioner's office, and through lawsuits (other than class action lawsuits) filed with the courts. These issues are brought to the attention of the Group's management to the extent the relevant functions identify that the claims might have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, Group companies rely on internal assessments of the relevant parties and management, which assess the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its merits. In view of the preliminary stage of the legal proceedings, the actual outcome could differ from the assessment made before the lawsuit was filed; the potential consequences are changes to the amount of the provision in respect of the lawsuit, or making no provision for the lawsuit.

3. Determining the fair value of illiquid debt assets

The fair value of illiquid bonds, loans and deposits is calculated on the basis of a discounted cash flow model. The discount rates are determined by a company providing price and interest rate quotes for institutional entities.

4. Impairment of financial investments

When there is objective evidence of impairment loss of loans and receivables presented at amortized cost, or where the value of available-for-sale financial assets is impaired, the amount of the loss is recognized in the income statement; please see Note 14. At each balance sheet date, the Group reviews whether there is objective evidence as described above.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****5. Investment property**

Investment property that can be measured reliably is presented at fair value at the reporting date with fair value changes carried to profit or loss in the period in which they were created. The fair value is usually determined by external and independent appraisers based on economic valuations, which include the use of valuation techniques and assumptions as to estimates of projected future cash flows from the property and an estimated discount rate adequate for these cash flows. Where possible, fair value is determined in relation to recent real estate transactions involving properties with characteristics and locations similar to those of the assessed property. When measuring the fair value of investment property, the Company's appraisers and management use certain assumptions as to rates of return required in respect of the Group's properties, future rental prices, occupancy rates, contract rates, probability of leasing vacant spaces, operating expenses for the properties, the tenants' financial strength and the consequences arising from investments requiring future development, in order to assess the future cash flows from the properties. Changes in assumptions used to measure investment properties may result in a change in fair value. Please see Note 9.

6. Reliable measurement of investment property under construction

To assess whether the fair value of an investment property under construction may be reliably measured, the Group takes into account, inter alia, the following relevant criteria:

1. Whether the real estate property under construction is located in an area where the market is developed and liquid.
2. Price quote from recent transactions or previous assessments, for acquisition or sale purposes, of properties in a similar condition and location.
3. Signing a construction agreement with a construction contractor.
4. Obtaining building permits.
5. Percentage of land designated for rent which has been leased in advance to tenants.
6. A reliable estimate of construction costs.
7. A reliable estimate of the value of the finished property.
8. When an assessment of the above criteria shows that the fair value of an investment property under construction can be reliably measured, the property is measured at its fair value in accordance with the Group's policy regarding investment property. When reliable measurement is impossible, investment property under construction is measured at cost less impairment loss, if any.

7. Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires management to estimate the expected future cash flows from continued use of the cash-generating unit to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. The potential consequence is the recognition of impairment losses in profit or loss in the period in which they were incurred. For further details, please see Note 5.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**C. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)****8. Determining recoverability of deferred acquisition costs**

The recoverability of deferred acquisition costs is reviewed once a year using assumptions as to cancellation, mortality and morbidity rates and other variables. If the costs are unrecoverable under these assumptions, the Group may need to accelerate the amortization or even write-off the deferred acquisition costs. For further details, please see Note 6.

9. Pension benefits and other post-employment benefits

Liability in respect of post-employment defined benefit plans is set using actuarial valuation techniques. The calculation of the liability involves making assumptions regarding, among other things, discount rates, expected rates of return on assets, pay rise rates, and the rates of employee turnover. The balance of the liability may be significantly affected by changes in those estimates.

10. Revaluation of property, plant and equipment

The Group measures buildings and land constituting property, plant and equipment at revalued amounts, and fair value changes are recognized in other comprehensive income. The Group contracted an independent external appraiser to estimate fair value as of December 31, 2022. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets. For further details, please see Note 7.

11. Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. An estimate by management is required in order to determine the recognizable deferred tax asset amount, that is based on the timing and taxable income amount expected and on the tax planning strategy. In accordance with the changes in these assumptions, the Company will recognize a deferred tax asset or reverse such recognition.

12. Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, using an accepted option pricing model. The model is based on share price and exercise price inputs and on assumptions regarding expected volatility, expected life and expected dividend. For further information, please see Note 37.

D. Financial statements structure and operating cycle period

The Group's ordinary operating cycle generally exceeds one year, in particular for life insurance and long-term savings, long-term care, illness and hospitalization insurance, and property and casualty insurance in the liability and compulsory motor insurance sectors. The consolidated statements of financial position, which include mainly the assets and liabilities of the consolidated insurance company, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation, which provides more relevant information, is consistent with IAS 1, Presentation of Financial Statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**E. Functional currency and foreign currency****1. Functional currency and presentation currency**

These financial statements are presented in NIS, which is the Company's functional currency, rounded to the nearest thousand. This currency best reflects the economic environment in which the Company operates.

The assets and liabilities of an investee that is a foreign operation, including excess of cost generated, are translated at the closing exchange rate at each reporting date. Income statement line items are translated at average exchange rates for the presented periods. Translation differences generated are charged to other comprehensive income (loss). When a foreign operation is fully or partially disposed of, such that control is lost, the cumulative profit (loss) relating to that operation, that was recognized as other comprehensive income or loss, is carried to profit or loss. When a foreign operation is partially disposed of, while retaining control in the consolidated company, a proportionate part of the amount that was recognized in other comprehensive income is re-attributed to non-controlling interests.

2. Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency (a currency other than the functional currency) are recorded upon initial recognition at the exchange rate on the transaction date. Subsequent to initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each balance sheet date into the functional currency at the exchange rate as of that date. Exchange rate differentials, other than those capitalized to qualifying assets or charged to equity in hedging transactions, are carried to the income statement. Non-monetary assets and liabilities presented at cost are translated at the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value was determined.

3. Monetary items linked to the Consumer Price Index

Monetary assets and liabilities linked to changes in the Israeli Consumer Price Index (the "CPI") are adjusted in accordance with the relevant CPI on each reporting date according to the terms and conditions of the agreement.

F. Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

G. Consolidated financial statements, business combinations and goodwill

1. The consolidated financial statements include the statements of companies that are controlled by the Company (subsidiaries). Control exists when a company has the power to influence the investee, exposure, or rights, to variable returns from its involvement with the investee, as well as the ability to use its power to affect the amounts of its return from the investee. When testing for control, potential voting rights are taken into account only if they are substantive. The financial statements are consolidated from the date on which control is gained until the date on which control ceases.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**G. Consolidated financial statements, business combinations and goodwill (cont.)**

1. (cont.)

The financial statements of the Company and its subsidiaries are prepared as of the same dates and periods. The accounting policies in the financial statements of the subsidiaries were applied uniformly and consistently with those applied in the Company's financial statements. Intra-group balances and any unrealized income and expenses arising from intra-group transactions, were eliminated in the preparation of the consolidated financial statements. Unrealized gains arising from transactions with associates and entities under joint control were eliminated against the investment based the Group's interests in these companies. Unrealized losses were eliminated in the same way as unrealized gains, but only to the extent that there was no evidence of impairment.

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately, under the Company's equity. Profit or loss and any component of other comprehensive income are attributed to the Company and the non-controlling interests. Losses are attributed to non-controlling interests even if the result is a negative balance of non-controlling interests in the consolidated statement of financial position.

Changes in ownership interest in a subsidiary that do not result in a loss of control, are accounted for as a change in equity by adjusting the remaining non-controlling interests against the equity attributable to Company's shareholders net of/plus the consideration paid or received.

Upon the disposal of a subsidiary that result in loss of control, the Company:

- Derecognizes the subsidiary's assets (including goodwill) and liabilities.
- Derecognizes the carrying amount of non-controlling interests.
- Derecognizes the adjustments arising from translation of financial statements carried to equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any remaining investment.
- Reclassifies the components previously recognized in other comprehensive income (loss) on the same basis that would have been required had the subsidiary disposed of the related assets or liabilities directly.
- Recognizes any resulting difference (surplus or deficit) as profit or loss.

2. Business combinations are accounted for using the acquisition method. The cost of acquisition is measured at the fair value of the proceeds transferred at acquisition date, plus any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at acquisition date or in accordance with the proportionate share in the fair value of the net identified assets of the acquiree.

Direct acquisition costs are carried to the income statement as incurred.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**G. Consolidated financial statements, business combinations and goodwill (cont.)****2. (cont.)**

In a business combination carried out in stages, the acquirer's equity interest held in the acquiree prior to obtaining control is measured at fair value as of acquisition date, and any revaluation of the previous investment is recognized in the income statement at the date control was obtained.

If in a business combination there was a pre-existing relationship between the acquirer and the acquiree, the group adds or deducts from the business combination consideration the lower of the amount by which the contract is favorable or unfavorable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items. The group recognizes this amount in profit or loss.

If the acquirer replaces the acquiree's share-based award, the portion of the market-based measure of the acquirer's replacement award in relation to the market-based measure of the acquiree's original award, which is equal to the portion of the acquiree's award that can be attributed to services prior to the business combination, shall be part of the consideration of the business combination.

That portion of the replacement award that have not yet vested and is attributed to services that have not yet been received is recognized as cost of compensation in the financial statements after the business combination. The aforesaid also applies when the share-based payment award is not replaced as part of the business combination.

A put option issued by the Group to non-controlling interests is accounted for in accordance with the anticipated acquisition method, that is to say, the underlying assumption of the method is that the option will be exercised, and therefore the parent company effectively holds the stake in the subsidiary's shares after the exercise of the put option. The put option that was issued by the Group to non-controlling interests in consideration for cash or another financial asset, is recognized as a liability at the amount of the present value of the option's exercise price.

Contingent consideration is recognized at its fair value at acquisition date. Contingent consideration is classified as a financial asset or liability according to IAS 39. Subsequent changes in the fair value of the contingent consideration are recognized in the income statement. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent measurement.

Goodwill is initially measured at cost, which represents the difference between the acquisition consideration and the amount of non-controlling interests and net identified assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on acquisition date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**G. Consolidated financial statements, business combinations and goodwill (cont.)****3. Non-controlling interests**Measurement of non-controlling interests on the business combination date

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately under the Company's equity and are measured at fair value on the business combination date, or according to their proportionate share in the identified assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Implementing this accounting policy is not allowed for other instruments that meet the definition of non-controlling interests (such as options for ordinary shares). These instruments are measured at fair value.

Allocation of comprehensive income to the shareholders

Profit or loss and any component of other comprehensive income are attributed to the owners of the Company and to non-controlling interests. Loss is attributed to the owners of the Company and to non-controlling interests even if the result is a negative balance of non-controlling interests.

4. Acquisition of a single asset entity

When it acquires a single asset entity, the Group assesses whether this is an acquisition of a business or an asset. When it assesses whether the single asset entity is a business the Group considers whether there is at least one input and one process that together generate outputs. Where the single asset entity is a business, the transaction is accounted for as a business combination. Where the purchased single asset entity is not a business, the transaction is accounted for as an acquisition of a group of assets and liabilities. In the acquisition of assets and liabilities the cost of acquisition includes transaction costs, and is allocated on a proportionate basis to the identifiable assets and liabilities purchased, based on their proportionate fair value on acquisition date; in the latter case, goodwill is not recognized and neither are deferred taxes in respect of temporary differences existing as of acquisition date.

5. Investment in joint arrangements

Joint arrangements are arrangements in which the Company has joint control. Joint control is the contractually agreed-upon sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(1) Joint ventures

In joint ventures, the parties to the arrangement have joint control over the interests in the net assets of the arrangement. A joint venture is accounted for using the equity method.

(2) Joint operations

In joint operations, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In a joint operation, the Company recognizes its proportionate share in the assets, liabilities, revenues and expenses of the joint operation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**G. Consolidated financial statements, business combinations and goodwill (cont.)**5. Investment in joint arrangements (cont.)(2) Joint operations (cont.)

Acquisition of an interest in a joint operation which constitutes a business as defined in IFRS 3, is accounted for by the acquisition method, including measurement of identified assets and liabilities at fair value, recognition of deferred taxes arising from this measurement, accounting for transaction costs, and recognition of goodwill or gain from a bargain purchase. The aforesaid applies to the acquisition of the initial interest and additional rights in a joint operation that constitutes a business.

H. Investment in associates

Associates are companies over which the Group has significant influence, but not control, over the monetary and operating policies. An investment in an associate, with the exception of an investment included in the investment portfolios of participating policies - see Note 2.K(5) - presented on the basis of the equity method.

I. Investments accounted for in accordance with the equity method

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is presented at cost plus post-acquisition changes in the Group's share in net assets, including other comprehensive income of the associate or joint venture. Gains and losses arising from transactions between the Group and the associate or joint venture are eliminated in accordance with the ownership stake. The investment cost includes transaction costs.

Gains and losses on upstream or downstream transactions with an associate or a joint venture are recognized in the Group's financial statements only to the extent of unrelated investors' ownership interest in the joint venture or associate. The Group's share in the gains or losses of the associate or the joint venture in respect of those transactions is eliminated.

Goodwill in respect of the acquisition of an associate or joint venture is presented as part of the investment in the associate or joint venture, measured at cost and is not systematically amortized. Goodwill is tested for impairment as part of the investment in the associate or joint venture as a whole.

The financial statements of the Company and the associate or joint venture are prepared as of the same dates and periods. The accounting policies in the financial statements of the associate or joint venture were applied uniformly and consistently with those applied to the Group's financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**I. Investments accounted for in accordance with the equity method (cont.)**

In the case of an acquisition of an associate or joint venture that is achieved in stages, when the previous investment in the acquired company was accounted for using the provisions of IAS 39, the Group applies IFRS 3 to business combination achieved in stages. As a result, equity interests in the acquiree that are held by the Group prior to the attainment of significant influence or joint control, are measured at fair value at the acquisition date and are included in the acquisition proceeds while recognizing profit or loss in accordance with the fair value measurement, as aforesaid.

In an associate where losses in excess of its capital have been incurred, the Company recognized its share in the losses of the associate up to the amount of its investment in the associate plus a loss that it may have incurred as a result of a guarantee or other financial support given in respect of the associate, up to the guarantee amount or other financial consideration. For this purpose, the investment includes long-term receivable monetary items (such as loans granted) which there is no intention to settle or repay in the foreseeable future.

The equity method is applied until the date of the loss of significant influence over the associate or the loss of joint control over the joint venture, or their classification as a held-for-sale investment.

The Company continues to apply the equity method even in cases where an investment in an associate becomes an investment in a joint venture, and vice versa. The Company applies the provisions of IFRS 5 to the investment or part of the investment in an associate or joint venture that is classified as held for sale. Any portion remaining in this investment that is not classified as held for sale continues to be accounted for using the equity method.

Once significant influence or joint control has been lost, the Group measures the fair value of any remaining investment in the associate or joint venture, and recognizes in profit or loss as the difference between the proceeds from the disposal of the investment in the associate or joint venture and the fair value of the remaining investment and the carrying amount of the investment disposed of as of that date.

J. Insurance contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires.

Following is a summary of the accounting policy applied to insurance contracts:

1. Life insurance and long-term savings

- a) Revenue recognition - please see Section W below.
- b) Liabilities for life insurance contracts:

Liabilities for life insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

b) Liabilities for life insurance contracts (cont.):

Liabilities for life insurance contracts are determined on the basis of actuarial valuations performed by the Supervising Actuary at The Phoenix Insurance Ltd., Mr. Mark Rabaev, who is an employee of The Phoenix Insurance. The reinsurers' share in liabilities for life insurance contracts is based on the terms and conditions of the relevant contracts.

Liabilities for CPI-linked life insurance contracts and CPI-linked investments used to cover these liabilities were included in the financial statements according to the last CPI published prior to the balance sheet date, including liabilities for life insurance contracts for policies with semi-annual linkage.

c) Commissioner's directives regarding liabilities for annuities:

Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies, set instructions on how to calculate the provisions as a result of the improvement rate in life expectancy requiring monitoring the adequacy of the liabilities for life insurance contracts to ensure that annuities are received and properly supplemented. For further information, please see Note 41.

d) Deferred acquisition costs:

(1) Deferred acquisition costs ("DAC") for life insurance policies include fees and commissions to agents and purchasing supervisors and general and administrative expenses relating to the purchase of new policies. DAC is amortized at equal annual rates over the term of the policy but no longer than 15 years. DAC for canceled or settled policies are derecognized at the cancellation or settlement date.

(2) The Phoenix Insurance's actuary assesses the recoverability of the DAC every year. This assessment verifies that the liabilities for insurance contracts and investment contracts, net of the DAC, is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these policies.

The assumptions used for this assessment, including assumptions regarding cancellations, operating expenses, yield on assets, mortality and morbidity rates, are determined by the Company's actuary annually on the basis of past experience and relevant current studies.

In addition, each year, the Company's actuary validates the estimated period for receiving management fee income in respect of investment contracts, pension funds and provident funds in order to determine the DAC amortization period created in respect thereof.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

d) Deferred acquisition costs (cont.):

- (3) Fees and commissions paid to agents and purchasing supervisors in respect of purchase of asset management contracts (pension and provident funds) are recognized as deferred acquisition costs (DAC) if they are separately identified and reliably measurable, and if their recoverability through management fees is expected. The DAC is amortized over the estimated period for receiving income from management fees, taking into account cancellations.

e) Liability adequacy testing for life insurance contracts:

The Group tests the adequacy of the reserves. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the shortfall. Homogeneous groups of policies defined by the Commissioner are tested separately. For further details, please see Note 41, Section 5.1.

The assumptions used in these tests include assumptions for cancellations, operating expenses, yields on assets, interest rates, illiquidity premiums, mortality, pension uptake rates and morbidity rates, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary every year on the basis of past experience and other relevant studies.

As to changes in insurance liabilities, see Note 41 Section 5.1.

f) Contingent claims:

Contingent claims, net of the reinsurers' share therein, are calculated on a base-by-case basis, according to the valuation of The Phoenix Insurance's experts, based on the notifications regarding the insurance events and the insurance amounts. The provisions for pension payments, ongoing payment claims for income protection insurance, the direct and indirect expenses arising there from, as well as the provisions for incurred but not yet reported claims (IBNR) are included under the liabilities for insurance contracts and investment contracts.

g) Investment contracts:

Proceeds in respect of investment contracts are not included in the premiums earned line item but rather carried directly to liabilities in respect of insurance contracts and investment contracts. Redemptions and maturities of these contracts are not included in the income statement but rather deducted directly from liabilities in respect of insurance contracts and investment contracts.

Investment income, management fees collected from policyholders, change in liabilities and payments for insurance contracts for policyholders' share in investment income, fees and commissions to agents, and general and administrative expenses are charged to the income statement in respect of these contracts.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

1. Life insurance and long-term savings (cont.)

- h) Provision for participation in earnings of policyholders in group insurance:
The provision is included under the payables and credit balances line item. In addition, the change in the provision is offset against income from premium.

2. Property and casualty insurance

- a) Revenue recognition - please see Section W below.
- b) Payments and changes in liabilities for insurance contracts, gross and in retention, include, among other things, settlement and direct handling costs in respect of claims paid, indirect costs of settling claims, outstanding claims in the reporting year, as well as adjustment of the provision for contingent claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:

The insurance reserves and outstanding claims included in the liabilities in respect of insurance contracts line item, and the reinsurers' share in the reserve and in the contingent claims included under the reinsurance assets line item, are calculated in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of Property and Casualty Insurance Reserves), 2013 (hereinafter - the "Calculation of Reserves Regulations"), the Commissioner's directives, and standard actuarial methods for calculating contingent claims, applied at the discretion of the supervising actuaries.

d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows:

- 1) The unearned premium provision reflects the insurance premium for the insurance period subsequent to balance sheet date and is calculated on a daily basis.
- 2) Provision for premium deficiency. This provision is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost in respect of insurance contracts. In the motor property insurance, comprehensive home, and business insurance subsegments, the provision is based, inter alia, on a model set in the Calculation of Reserves Regulations.
- 3) Insurance reserves and contingent claims are calculated according to the methods set out below:

- 3.1 Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for The Phoenix Insurance, for property and casualty insurance, was carried out by the supervising actuary of The Phoenix Insurance, Ms. Anna Nahum, who is employed by The Phoenix Insurance.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

- d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows (cont.):

3) (cont.)

- 3.2 For marine, aircraft including third-party liability insurance, incoming business and other risks, for which the actuary determined that an actuarial model cannot be applied, due to lack of statistically significant data, the contingent claims were included based on a case-by-case valuation according to an opinion received from counsel and experts of The Phoenix Insurance that handle claims according to the reports of ceding companies for incoming business, with the addition of IBNR where necessary. The valuations include an adequate provision for handling expenses unpaid as of the date of the financial statements.
- 3.3 Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.
- 3.4 The Phoenix Insurance believes that the contingent claims are adequate, given that the contingent claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions where required for IBNR.

- e) Liability adequacy testing in property and casualty insurance

The Company reviews the adequacy of Property and Casualty insurance (P&C) liabilities in accordance with the best practice principles.

- f) Deferred acquisition costs in property and casualty insurance include fees and commissions to agents and general and administrative expenses in connection with the purchase of policies, relating to unearned premiums. The acquisition expenses are calculated separately for each subsegment, on the basis of the actual rates of expenses or according to standard rates as determined in the Supervision Regulations, as a percentage of the unearned premium, whichever is lower.
- g) Business received from the Israeli compulsory motor insurance Pool of the Israeli Insurance Companies Association (hereinafter - the "Pool"), from other insurance companies (including co-insurance and incoming foreign businesses) and from underwriting agencies, is reported according to the reports received up to the balance sheet date with the addition of the relevant provisions, based on the rate of The Phoenix Insurance's participation therein.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

3. Health insurance

a) Revenue recognition - please see Section W below.

b) Liabilities for health insurance contracts:

Liabilities for health insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and standard actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc.

Liabilities in respect of health insurance contracts and reinsurers' share therein are determined on the basis of an actuarial valuation. This is performed by the chief actuary of The Phoenix Insurance, Ms. Luba Sharapov, who is an employee of The Phoenix Insurance.

c) Liability adequacy testing for health insurance contracts:

The Company performs loss recognition testing for health insurance contracts. If the test indicates that the premiums received are insufficient to cover the expected claims, a special provision is recorded for the shortfall. Groups of policies defined by the Commissioner are tested separately. The assumptions used in these tests include assumptions for cancellations, operating expenses, morbidity and mortality, interest rates and illiquidity premium, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary each year on the basis of past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience. For additional details, including updating the illiquidity premium, please see Note 41, Section 5.1.

d) Contingent claims:

The provisions for ongoing payment claims in Long Term Care (LTC) insurance, the direct and indirect expenses arising therefrom, as well as provisions for incurred but not yet reported claims (IBNR), are included under liabilities in respect of insurance contracts. In travel insurance, cargo insurance for marine, aircraft, Sale Law guarantee, financial guarantees, credit insurance, foreign trade risks and incoming businesses - for which the actuary determined that an actuarial model is inapplicable - due to lack of statistically significant data - the contingent claims were included based on a case-by-case evaluation according to assessments by external experts and company employees handling claims, reports by ceding companies for incoming business, with the addition of IBNR and reserves where necessary.

e) Provision for policyholders' participating policies in collective insurance:

The provision for policyholders' participating policies in collective insurance is included under "payables and credit balances". In addition, the change in the provision is offset against premiums earned.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Insurance contracts and asset management contracts (cont.)

3. Health insurance (cont.)

f) The unexpired risk reserve, included in the liabilities for insurance contracts line item, includes, if necessary, a provision for an expected retention loss (premium deficiency) that is calculated based on an actuarial valuation based on a cash flow estimate for the contract.

g) Deferred acquisition costs:

1. Deferred acquisition costs ("DAC") include fees and commissions to agents and acquisition supervisors and general and administrative expenses related to the purchase of new policies. In the illness and hospitalization subsegments, policies are amortized at equal rates over the period of the policy, but no longer than six years, and in long-term health insurance subsegments (such as long-term care and critical illnesses) the policies are amortized over no more than 15 years. Deferred acquisition costs relating to canceled policies are written off on the cancellation date.
2. The Company's actuary assesses the recoverability of the DAC each year. The assessment verifies that the liabilities for insurance contracts, net of DAC for policies sold, are sufficient, and that the policies are expected to generate future income to cover the DAC's amortization and the insurance liabilities, operating expenses as well as fees and commissions for those policies.

The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, yield on assets, mortality and morbidity rates, are determined by the actuaries every year on the basis of past experience and relevant current studies.

K. Financial Instruments

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (liquid debt assets, illiquid debt assets, shares and others) and other financial assets such as other receivables and cash and cash equivalents. In addition, financial instruments include financial liabilities, such as loans and borrowings received, and supplier credit and other payables.

Initial recognition of financial assets

Non-derivative financial instruments are recognized initially at fair value, plus, for instruments not presented at fair value through profit and loss, any direct attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized as an asset or liability when the Company accepts the contractual terms and conditions (the transaction date).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**K. Financial Instruments (cont.)****1. Non-derivative financial instruments (cont.)**

Financial assets are classified into the following classes:

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

Held-to-maturity investments

If the Company has expressed intent and ability to hold debt securities to maturity, then such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value, plus any attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method (taking into consideration transaction costs), less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or which are not classified into one of the following classes: financial assets measured at fair value through profit and loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses arising from fair value adjustments, except for interest, exchange rate differentials, and dividend from an equity instrument, are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is transferred to the income statement.

Financial assets at fair value through profit and loss

A financial instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition.

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not traded in an active market. Subsequent to initial recognition, loans are presented at cost, plus direct transaction costs, using the effective interest method, less provision for impairment. Short-term receivables are recognized according to their terms and conditions, usually at their nominal value.

2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts recognized and intends either to settle the asset or liability on a net basis or to dispose of the asset and settle the liability simultaneously.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

K. Financial Instruments (cont.)

2. Offsetting financial instruments (cont.)

The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the event of bankruptcy or insolvency of one of the parties. In order for the offset right to be readily available, it must not be contingent on a future event, or have periods of time in which it is inapplicable, nor events that may cause it to expire.

3. Derivative financial instruments

Financial derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are carried to the income statement under investment income, net and finance income.

4. CPI-linked assets and liabilities not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, are revalued each period in accordance with the actual change in the CPI.

5. The Group decided to designate assets as follows:

A. Financial assets in investment portfolios of participating policies

These assets, which include marketable and non-marketable financial instruments, were designated at fair value through profit and loss, for the following reasons: These are portfolios under management, separate and identified, whose presentation at fair value significantly reduces an accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement. Furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (the relevant investments committee) internally, at fair value.

B. Illiquid financial assets that are not included in investment portfolios against participating policies (nostro)

Assets meeting the criteria of the loans and receivables class, including Hetz bonds, were classified to this class and measured at amortized cost, using the effective interest method.

Illiquid equity instruments are classified as available-for-sale financial assets.

C. Liquid financial assets which are not included in investment portfolios against participating policies (nostro), which do not include embedded derivatives or do not constitute derivatives (including investment funds).

These assets are classified as available-for-sale financial assets.

D. Financial instruments that include embedded derivatives requiring bifurcation

These assets are designated to the class of fair value through profit and loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**K. Financial Instruments (cont.)**5. The Group decided to designate assets as follows (cont.):E. Liquid financial assets in a consolidated subsidiary engaged in investment management

These assets were classified as fair value through profit and loss, and include held-for-trading financial assets and financial assets designated at fair value through profit and loss.

6. Financial liabilities

The liabilities are recognized initially at fair value. Loans and other liabilities measured at amortized cost are presented net of direct transaction costs.

Subsequent to initial recognition, the accounting treatment of financial liabilities is based on their classification as described below:

A. Financial liabilities at amortized cost

Subsequent to initial recognition, loans and other liabilities are recognized at cost, less direct transaction costs, using the effective interest method.

B. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held-for-trading and financial liabilities designated, upon initial recognition, to be presented at fair value through profit or loss.

Financial liabilities are classified as held for trading if they were acquired principally for the purpose of selling them in the short term. Profit or loss for liabilities held for trading is carried to profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.

The Group assesses whether embedded derivatives are required to be bifurcated when the Group first becomes a party to the contract. The need to bifurcate an embedded derivative is only reassessed if there is a change in the terms and conditions of the contract that significantly modifies the cash flows from the contract.

A liability may be designated at initial recognition to fair value through profit or loss, subject to the terms and conditions set out in IAS 39.

7. Put option granted to non-controlling shareholders

The Group granted non-controlling shareholders (hereinafter - the "Non-Controlling Interests") a put option to sell part or all of their ownership interests in consolidated companies. The non-controlling interests were classified as financial liabilities on the day of grant. At each balance sheet date, the Group recognizes financial liabilities at the present value of the estimated expected payment to the non-controlling interests. At the same time, the non-controlling interests are accounted for as if they were held by the Group. For business combinations that occurred up to December 31, 2009, changes in the liability in subsequent periods, other than the time value recognized in profit and loss, caused by a change in the estimate of expected payments, are recognized in goodwill until exercise of the option.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**K. Financial Instruments (cont.)****7. Put option granted to non-controlling shareholders (cont.)**

As of January 1, 2010, the entire change in the liability amount is carried to profit and loss. If the options are exercised in subsequent periods, the consideration paid is accounted for as settlement of the liability. If the option expires, the expiry is accounted for as sale of an investment in the consolidated company while retaining control. If the Company has the right to choose to make the expected payment in cash or by way of the Company's shares, the liability is not recognized in the financial statements at the award date.

8. Derecognition of financial instruments**A. Financial assets**

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay. In addition, it has transferred substantially all the risks and rewards associated with the asset or has not transferred and has not retained substantially all the risks and rewards associated with the asset but has transferred control of the asset.

If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay.

B. Financial liabilities

A financial liability is derecognized when it is extinguished, that is to say, when the liability is discharged, canceled or expires. A financial liability is extinguished when the debtor (the Group) repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

Where an existing financial liability is exchanged for another financial liability from the same lender on substantially different terms and conditions, or where the terms and conditions of an existing liability are substantially modified, such an exchange or modification is accounted for as a derecognition of the original liability and the recognition of a new liability at fair value as of that date. The difference between the balances of the above two liabilities in the financial statements is carried to the income statement. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no profit or loss is recognized from the exchange. When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

L. Property, plant & equipment

Buildings and land are measured at revalued amounts, and fair value changes are carried to other comprehensive income. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets.

The Group believes that fair value measurement is a more relevant basis for the value of the Group's assets and equity.

Other property, plant and equipment items are presented at cost plus direct acquisition costs, less accumulated depreciation and accumulated impairment losses, and less investment grants received in respect thereof, but do not include current maintenance expenses. Cost includes spare parts and auxiliary equipment used for the property, plant and equipment items.

The components of a property, plant and equipment item with a significant cost in relation to the total cost of the item are depreciated separately, according to the components method.

A gain or loss on derecognition of a property, plant and equipment item is determined by comparing the net proceeds and the carrying amount of the asset; this gain or loss is recognized, on a net basis, in the other income or expenses line item, as applicable, in the income statement.

Daily maintenance costs of a property, plant and equipment item are recognized in the income statement as incurred under the general and administrative expenses line item.

An asset is depreciated from the date it is ready for use, meaning the date it reaches the location and condition required for it to operate in the manner intended by management.

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

	2021-2022
Buildings	20-50
Computers	3-7
Vehicles	7
Equipment and furniture	7-17
Leasehold improvements	See below
Works of art	Without depreciation

1. Revaluation of land and buildings is charged to the revaluation reserve presented in shareholders' equity, less the tax effect. The revaluation reserve is recognized in retained earnings during the use of the asset, according to its depreciation rate or when the asset is derecognized.
2. Revaluation is carried out routinely to ensure that the balance in the financial statements is not materially different from the value that would have been calculated at fair value at the reporting date.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**L. Property, plant & equipment (cont.)**

3. Impairment of a revalued asset is carried directly to other comprehensive income, up to the amount of the credit balance in the revaluation reserve for that asset. Any further impairment is carried to profit or loss. Any increase in the asset's value as a result of revaluation is recognized in profit or loss up to the amount where it reverses the impairment that was previously recognized in profit or loss. Any subsequent increase is carried to the revaluation reserve.
4. Leasehold improvements are depreciated on a straight-line basis over the rental period (including the option period to extend the term of the contract, which the Group intends to exercise), or according to the estimated useful life of the improvement, whichever the shorter.
5. The useful life, depreciation method and residual value are reviewed at least at each year-end, and changes are accounted for prospectively as a change in accounting estimate. Depreciation of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date on which the asset is derecognized. See Section Q below for further information about impairment testing of property, plant and equipment.

M. Investment property

Investment property is initially measured at cost, including direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

Investment property under development for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. The cost basis of investment property under development includes the cost of land plus the costs of credit used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements thereof.

The Group determines the fair value of investment property on the basis of a valuation by external independent appraisers who are experts in the valuation of real estate properties and have the appropriate expertise and experience, and on the basis of the extensive professional expertise of the Group's management, as well on the valuation of internal expert appraisers.

N. Leases

The Company accounts for a contract as a lease contract when the right to control an identifiable asset is transferred, as provided therein, for a period of time, for a consideration.

1. The Company as lessee

For transactions in which the Company is the lessee, it recognizes at commencement date a right-of-use asset against a lease liability, excluding transactions for periods of up to 12 months and transactions in which the underlying asset is of low value, in which the Company opted to recognize the lease fees as an expense in profit or loss on a straight line basis over the lease term. When measuring the lease liability, the Company opted to apply the expedient available under the Standard, and did not separate between lease components and non-lease components, e.g.: management services, maintenance services, etc., included in the same transaction.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. Leases (cont.)

1. The Company as lessee (cont.)

In transactions where the employee is entitled to a company car as part of his/her terms of employment, the Company accounts for these transactions as employee benefits in accordance with the provisions of IAS 19, rather than as a sublease.

On commencement date, the lease liability includes all unpaid lease payments (these payments do not include variable lease payments), capitalized at the lease's implicit interest rate, when it can be readily determined, or at the Company's incremental interest rate. After commencement date, the Company measures the lease liability using the effective interest method.

At commencement date, the right-of-use asset is recognized at the amount of the lease liability plus lease fees paid on or before commencement date, plus transaction costs incurred.

A right-of-use asset is measured using the cost model and depreciated over the shorter of its useful life or the lease term.

Following are data regarding the number of years of depreciation of the relevant right-of-use assets by class:

	2021-2022
Buildings	5-10
Vehicles	3

When there are indications of impairment, the Company assesses the impairment of the right-of-use asset in accordance with the provisions of IAS 36.

2. The Group as lessor

The tests for classifying a lease as a finance or operating lease depend on the nature of the transaction, rather than on the format of the contract, and are assessed at the inception date, in accordance with the principles set forth in the Standard:

A. Finance Lease

A lease transaction in which substantially all risks and rewards of ownership of the asset are transferred to the lessee, is classified as a finance lease.

Lease transactions in which the Company is the lessor

On commencement date, the leased asset is derecognized and an asset is recognized against it under receivables for finance lease; the value of this asset is equal to the present value of the lease proceeds discounted by the interest implicit in the lease. Any difference between the balance of the leased asset before derecognition and the balance of "receivables for finance lease" is recognized in profit or loss.

Initial costs are included in the initial measurement of the net investment in the lease, and reduce the amount of income recognized over the term of the lease.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Leases (cont.)****2. The Group as lessor (cont.)****A. Finance Lease (cont.)****Lease transactions in which the Company is the lessor (cont.)**

After commencement date, the lease proceeds are allocated between finance income reflecting a fixed periodic yield rate on receivables for finance lease, and settlement of receivables for finance lease. Accounts receivable in respect of a finance lease, for impairment and derecognition purposes, is accounted for in accordance with the provisions of IAS 39.

The Company reviews regularly the estimated unguaranteed residual values used in computing the gross investment in the lease. If there has been a reduction in the estimated unguaranteed residual value, the Company revises the income allocation over the lease term.

For transactions including non-lease components, the Company accounts for such components according to the relevant accounting standard rather than under receivables for finance lease.

B. Operating lease

A lease transaction in which all risks and rewards of ownership of the asset are not transferred to the lessee, is classified as an operating lease. Lease proceeds are recognized as income in profit or loss on a straight line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished, over the term of the lease.

Direct initial costs incurred in respect of the lease agreement are added to the cost of the leased asset and recognized as an expense over the lease term on the same basis.

3. Lease payments linked to the Consumer Price Index

On the lease commencement date, the Company uses the CPI rate on commencement date in order to calculate future lease payments.

In transactions in which the Company is the lessee, changes in the rate of future lease payments resulting from changes in the CPI are discounted (with no change in the discount rate applicable to the lease liability) to the balance of the right-of-use asset and charged as an adjustment to the balance of lease liability, only when a change occurs in cash flows due to a change in the CPI (i.e., the date on which the adjustment of lease payments takes effect).

4. Variable lease payments

Variable lease payments based on performance or use and independent of the CPI or interest are recognized as an expense on the date they are made in transactions in which the Company is the lessee, and as income in transactions in which the Company is the lessor.

When there are indications of impairment, the Company assesses the impairment of the right-of-use asset in accordance with the provisions of IAS 36.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**N. Leases (cont.)****5. Options to extend and terminate a lease term**

A non-cancelable lease term also includes terms covered by an extension option when it is reasonably certain that the extension option will be exercised, as well as a terms covered by an option to terminate the lease when it is reasonably certain that the termination option will not be exercised.

Where a change occurs in the expectation that the extension option will be exercised or that the termination option will not be exercised, the Company re-measures the balance of the lease liability in accordance with the revised lease term, at the revised discount rate on the date of change in expectation, while the amount of the change is carried to the balance of the right-of-use asset until it is reduced to zero, and any remaining amount is recognized in profit or loss.

6. Lease modifications

When the lease terms are modified such that the modification does not reduce the lease amount and is not accounted for as a separate lease transaction, the Company re-measures the balance of the lease liability according to the amended lease terms and conditions, at the revised discount rate on the date of the amendment, and carries the amount of the change in the balance of the lease liability to the balance of the right-of-use asset.

When the lease terms and conditions are modified such that the modification reduces the amount of the lease, the Company recognizes a profit or loss from the partial or full derecognition of the balance of the right-of-use asset and the lease liability. Subsequently, the Company re-measures the balance of the lease liability in accordance with the modifies lease terms and conditions, using the revised discount rate on the date of the modification, and carries the amount of the change in the lease liability to the balance of the right-of-use asset.

7. Subleases

In transactions where the Company leases an underlying asset (head lease) to a third party (sublease), the Company assesses whether the risks and rewards of ownership of the right-of-use assets have been transferred, inter alia, by comparing the sublease term to the useful life of the right-of-use asset created in the head lease.

When substantially all risks and rewards of ownership of a right-of-use asset have been transferred, the Company accounts for the sublease as a finance lease, otherwise the sublease is accounted for as an operating lease.

When a sublease is classified as a finance lease, the leased asset is derecognized on commencement date and a "receivables for finance lease" asset is recognized the amount of which is equal to the present value of the lease proceeds discounted by the interest implicit in the lease. Any difference between the balance of the leased asset before derecognition and the balance of "receivables for finance lease" is recognized in profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**O. Intangible assets**

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets acquired in a business combination are measured at fair value at acquisition date. Costs relating to internally generated intangible assets, excluding capitalized development costs, are carried to profit or loss as incurred.

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that an impairment has taken place. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If events and circumstances do not continue to support such assessment, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate, and the asset is also tested for impairment on that date. As of that date the asset is amortized systematically over its useful economic life.

Intangible assets with a definite useful life are amortized over their useful life and tested for impairment when there are indications thereof. The amortization period and method applied to an intangible asset with a definite useful life are reviewed at each year end at the very least.

1. Software development costs

Software development costs are capitalized only if: the development costs can be reliably measured; the software is technically and commercially feasible; future economic benefits are expected from the development; and the Group intends to complete the development and use the software and has sufficient resources to do so. A capitalized expense includes the cost of the materials, direct labor and overhead expenses directly attributable to preparation of the asset for its intended use. Other development expenses are carried to profit and loss as incurred. Capitalized development costs are measured at cost less any amortization and accumulated impairment losses.

Amortization of the asset commences once the development has been completed and the asset is available for use. The asset is amortized over its useful life. The asset is tested for impairment once a year over the development period. When it is impossible to recognize an internally-generated intangible asset, development costs are carried to profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in a later period.

2. Software

The Company's assets include IT systems consisting of hardware and software. Software that is an integral part of hardware, which cannot function without the software installed on it, is classified as property, plant and equipment. However, licenses for standalone software which adds functionality to the hardware, are classified as intangible assets.

3. Subsequent costs

Subsequent costs are recognized as an intangible asset only when it increases the future economic benefits embodied in the specific asset to which it relates. All other costs, including costs related to goodwill or internally generated brands, are carried to the income statement as incurred. Amortization is carried to the income statement over the estimated useful life of the intangible assets, except for goodwill - from the date on which the assets are available for use.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

O. Intangible assets (cont.)

4. Amortization

The estimated useful lives for the current and comparative periods are as follows:

	Years	Amortization method
Computer software	3-10	Straight line
Brand	5-10	Straight line
Non-compete agreements	5-13	Straight line
Future management fees	9-15	Straight line
Fees and commissions portfolios	2-10	Straight line

Estimates as to the depreciation method and useful life are reviewed at least at the end of each reporting year.

P. Impairment

The Group assesses at each reporting date whether there is objective evidence of impairment for the following assets:

1. Financial assets

A. Financial assets measured at amortized cost

Objective evidence of impairment is present when one or more events had a negative effect on the estimated future cash flows from the asset after initial recognition. The amount of the loss carried to the income statement is measured as the difference between the asset's balance in the financial statements and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) capitalized at the original effective interest rate of the financial asset. If the financial asset bears variable interest, capitalization is carried out according to the present effective interest rate.

In subsequent periods, impairment losses are reversed when the recovery of the asset's value can be objectively attributed to an event that has occurred after the recognition of the loss. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

The Group considers evidence of impairment for debt assets classified to loans and receivables at both the specific asset level and at the collective level of an asset class with similar credit risk characteristics (collective assessment). All individually significant loans and receivables are tested for specific impairment. Loans and receivables for which no specific impairment was identified are collectively tested for any collective impairment that was incurred but not yet identified.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Impairment (cont.)

1. Financial assets (cont.)

B. Available-for-sale financial assets

The evidence for impairment of equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates. The testing for significant or prolonged impairment depends on the circumstances at each balance sheet date. The testing takes into account historical fluctuations in fair value and the existence of a prolonged decline in fair value at a total rate of 20% or more, or a prolonged decline in fair value of 12 months or more. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is reclassified to profit or loss. In subsequent periods, reversal of impairment loss is not carried to profit and loss but rather recognized in other comprehensive income (loss).

Evidence of impairment of debt instruments classified as available-for-sale financial assets includes one or more events that had an adverse effect on the estimated future cash flows from the asset subsequent to the investment date. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is recognized as an impairment loss in profit or loss. In subsequent periods, the amount of the impairment loss is reversed if the increase in fair value can be objectively attributed to an event occurring after the impairment loss was recognized. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

2. Reinsurance

- A. The liabilities of reinsurers towards The Phoenix Insurance do not exempt it from its liabilities to policyholders according to the insurance policies. If a reinsurer fails to meet its liabilities under the reinsurance contracts, The Phoenix Insurance may incur losses.
- B. The Phoenix Insurance includes a provision for doubtful debts for reinsurers' debts whose collection is doubtful on the basis of specific risk estimates and on the basis of the extent of the debt.

In addition, when determining the reinsurers' share in insurance liabilities, The Phoenix Insurance also considers the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary's recommendation, which takes all risk factors into account. In addition, when preparing the provisions, The Phoenix Insurance takes into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

3. Premium collectible

The provision for premiums collectible in the property and casualty insurance business is calculated according to estimates based, among other things, on debts in arrears and existing collateral.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**P. Impairment (cont.)****4. Customer credit for purchase of securities**

Customer credit is initially recognized at fair value, and subsequently measured at amortized cost based on the effective interest method, less a provision for doubtful debts.

The provision for doubtful debts is determined specifically for debts which Company's management believes are unlikely to be collected. Impaired trade receivables are derecognized when they are assessed as uncollectible.

5. Non-financial assets

The Group tests for impairment of non-financial assets other than deferred acquisition costs, investment property, assets arising from employee benefits, and deferred tax assets whenever events or changes in circumstances indicate that the balance in the financial statements is irrecoverable. When the balance of the non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable value. The recoverable value is the higher of fair value less costs of goods sold and value in use.

In assessing value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to each asset and the time value of money. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. All impairment losses are charged to the income statement under the other expenses line item.

Any impairment loss from an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since an impairment loss was last recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment in respect of the asset (net of depreciation or amortization) or its recoverable amount. As to assets measured at cost, reversal of the loss is carried to profit or loss.

Reversal of an impairment loss of a cash-generating unit shall be allocated to the unit's assets, other than goodwill, proportionately to the carrying amount of each of the assets that falls within the measurement scope of IAS 36, only to the extent that the carrying amount of the asset, subsequent to the reversal of the impairment loss, does not exceed the asset's amortized cost that would have been set had the impairment loss not been recognized.

A. Testing for impairment of goodwill in respect of consolidated companies

The Company assesses goodwill impairment annually, as of December 31, or more frequently if events or changes in circumstances indicate impairment.

Goodwill impairment is determined by testing the recoverable amount of a cash generating unit (or a group of cash generating units) to which the relates belongs.

Each cash-generating unit to which goodwill was allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and in no case is not be larger than an operating segment.

An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the financial statements balance of the cash generating unit (or group of cash generating units). Impairment losses from goodwill cannot be reversed in subsequent periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Impairment (cont.)

5. Non-financial assets (cont.)

B. Investment in an associate

After implementing the equity method, the Company assesses whether it is necessary to recognize a further impairment loss in respect of impairment of the investment in associates. At each balance sheet date, the Company assesses whether there is objective evidence of impairment of an investment in an associate. Impairment is tested for the entire investment, including goodwill attributable to the associate.

C. Art works and intangible assets with indefinite useful life

The Group assesses goodwill for impairment annually, on December 31, or more frequently if events or changes in circumstances indicate impairment.

Q. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market - in the most advantageous market.

The fair value of an asset or liability is based on assumptions to be used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the highest and best use of the asset, or by selling it to another market participant who will make optimal use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable inputs.

The fair value of financial instruments traded in an active market is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at market terms, reference to the current market value of another instrument which is substantially the same, discounting of cash flows, or other valuation methods. The value of illiquid bonds, loans and deposits is based on the cash flow discount method; please see Note 14G.

All assets and liabilities measured at fair value, or the fair value of which was disclosed, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Inputs that are not based on observable market data (assessment techniques not using observable market input).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**R. Share capital and treasury shares**

Costs directly attributable to the issue of shares and share options are recognized as a deduction from equity.

The Company's shares held by the Company and/or subsidiaries are measured at their acquisition cost and are offset against the Company's equity. Any surplus or shortfall from the purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

S. Employee benefits

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits which are expected to be fully paid within up to 12 months after the end of the annual reporting period in which employees provide the services. These benefits include salaries, paid annual leave, paid sick leave, recreation pay and employer's National Insurance contributions and are recognized as expenses as the services are rendered. A liability for a cash bonus or a participating plan is recognized when the Group has a legal or constructive obligation to make such payment in respect of a service rendered by an employee and the amount can be measured reliably. The liability for short-term employee benefits in the statement of financial position represents the undiscounted value of the liability.

2. Post-employment benefits**A. Defined contribution plan**

The Group has defined contribution plans in accordance with Section 14 of the Israeli Severance Pay Law; according to these plans, the Group pays fixed contributions without having a legal or constructive obligation to pay further contributions even if the fund does not have sufficient amounts to pay all employee benefits related to the employee's service in the current and prior periods.

Contributions to a defined contribution plan in respect of severance pay or pension are recognized as an expense concurrently with performance of the employee's services.

B. Defined benefit plan

The Group has a defined benefit plan in respect of severance pay under the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement.

The liability for severance pay is measured on the basis of the actuarial value of the projected unit credit. The actuarial calculation takes into account future pay raises and rates of employee turnover based on the estimated timing of payment. The amounts are presented on the basis of discounting the future cash flows using the interest rate based on the yield at the reporting date on CPI-linked high-quality corporate bonds with maturity dates approximating the period for the Group's severance pay liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**S. Employee benefits (cont.)****2. Post-employment benefits (cont.)****B. Defined benefit plan (cont.)**

The Company makes contributions to pension funds and insurance companies on an ongoing basis in respect of its severance pay liability to some of its employees (hereinafter - the "Plan Assets"). The Plan Assets are assets held by the employee benefit fund in the long term or in qualifying insurance policies. The Plan Assets are not available for the use of the Group's creditors, and cannot be paid directly to the Group.

When the Company has excess assets over liabilities, the Company recognizes a net asset in respect of defined benefit, up to the net discounted amount of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. An economic benefit is regarded as available to the Company if the Company can realize it at some point during the life of the plan or when the plan liabilities are settled, taking into account the minimum funding requirements.

If the Company has an obligation under a minimum funding requirement to pay contributions in respect of services already received, the Company shall recognize the liability so long as those contributions will not be available as a refund or reduction in future contributions.

The severance pay component in policies issued by the Company does not constitute Plan Assets and is offset from liabilities in respect of insurance contracts.

The liability for employee benefits in the statement of financial position presents the present value of the defined benefit liability less the fair value of the Plan Assets. Remeasurements of the net liability are carried to other comprehensive income.

3. Other long-term benefits

Group employees are entitled to benefits in respect of adaptation grants. The Group's net obligation for other employee benefits, other than post-employment benefit plans, is in respect of the amount of future benefit payable to employees for their services rendered in current and prior periods.

4. Severance pay and voluntary retirement benefits

Severance pay are recognized as an expense when the Group has committed to terminate employment before retirement age and it is unable to revoke the offer, or when the Group recognizes restructuring costs that include payment of termination benefits, whichever the earlier.

5. Share-based compensation transactions

Other employees/service providers of the Company are entitled to benefits by way of share-based payment settled in equity instruments and some employees/other service providers are entitled to benefits by way of cash-settled share-based payment measured on the basis of the increase in the Company's share price.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**S. Employee benefits (cont.)****5. Share-based compensation transactions (cont.)****Cash-settled transactions in equity instruments**

The cost of transactions with employees settled in equity instruments is measured according to the fair value of the equity instruments at the award date. The fair value is determined using an accepted option pricing model.

For other service providers, the transaction cost is measured at the fair value of the goods or services received in exchange for the equity instruments granted.

The cost of transactions settled in equity instruments is recognized in profit or loss in addition to a corresponding increase in capital over the period in which the conditions of performance and/or service are met and ends on the date on which the relevant employees are entitled to the compensation (hereinafter - the "Vesting Period"). The recognized cumulative expense in respect of transactions settled in equity instruments as of the end of each reporting period up to the vesting date reflects the extent to which the Maturity Period has elapsed and the Group's best estimate of the number of equity instruments that will eventually vest.

No expense is recognized for grants that do not ultimately vest, except for grants whose vesting is conditional upon a market condition, which are accounted for as vesting irrespective of whether the market condition is satisfied, assuming that all the other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized beyond the original expense calculated for any modification that increases the total fair value of the reward granted or is otherwise beneficial to the employee/other service provider at fair value at the modification date. If a grant of an equity-settled instrument is canceled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are both treated as a modification of the original grant, as described above.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value on the award date using a standard option pricing model. For further information, please see Note 37. The fair value is recognized as an expense over the Vesting Period and a corresponding liability is recognized. The liability is remeasured at each reporting period at fair value until settled, and any changes in fair value are carried to the income statement, taking into account the scope of services provided until that date.

T. Liability in respect of structured bonds, bonds and long-term loans

Bonds issued and loans received are initially recognized at fair value, less transaction costs. In subsequent periods, bonds and loans are presented at amortized cost. Any difference between the consideration (less transaction costs) and the redemption value is recognized in the income statement over the bond or loan term, as relevant, using the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**U. Liability for short sale of securities**

Liabilities in respect of short sale of securities are initially recognized at fair value when the relating transaction expenses are charged to the income statement. Subsequent to initial recognition, these liabilities are measured at fair value against profit or loss.

V. Provisions

In accordance with IAS 37, a provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is likely that financial resources will be required to settle the obligation and the obligation can be reliably estimated.

When the Group expects that some or all of the expense will be reimbursed to the Company, such as in an insurance contract, the repayment will be recognized as a separate asset, only when it is highly likely that the asset will be received. The expense is recognized in the income statement less the reimbursement of the expense.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

Types of provisions included in the financial statements:

1. Legal claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that an outflow of economic benefits will be required to settle the obligation.

2. Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group under it. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of fulfilling the contract.

3. Levies

Levies imposed on the Company by government institutions through legislation, are treated in accordance with IFRIC 21, whereby the liability to pay the levy is recognized only upon occurrence of the event that gives rise to the payment obligation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

W. Revenue recognition

1. Premiums

- A) Premiums in the life insurance segment and certain subsegments of health insurance, including savings premiums and excluding proceeds in respect of investment contracts, are recorded as revenues on collection date.
Cancellations are recorded when a notification is received from the policyholder or when initiated by the Group due to arrears in payments, subject to the provisions of the law. Policyholders' participation in profits is deducted from the premiums.
- B) Property and casualty insurance premiums are recorded as income based on monthly output reports. The premiums usually relate to an insurance period of one year. Gross income from premiums and changes in unearned premium are recorded under premiums earned, gross.
Premiums on compulsory motor insurance are recorded when the premium is paid, since insurance coverage is contingent upon payment of the premium.
Premiums on policies that take effect after the balance sheet date or premiums on policies for a period exceeding one year are recorded as a prepaid income under the payables and credit balances line item.
The income included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the policyholder's participation in profits, based on valid agreements.

2. Management fees

- A) Management fees for yield-dependent insurance contracts:
The management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the aggregate savings of the policyholders in the participating portfolio.

Management fees include the following components:

For policies sold as from January 1, 2004 - fixed management fees only.

For policies sold through December 31, 2003 - fixed and variable management fees.

The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a percentage of the annual real profit (as from January 1 through December 31) attributed to the policy, less the fixed management fees collected on that policy. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years.

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly yield to the extent that such yield is positive. In months when the real yield is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative yield for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the management fees from positive yield in subsequent periods.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**W. Revenue recognition****2. Management fees (cont.)****B) Management fees from pension funds and provident funds:**

Income from the management of pension funds and provident funds is recognized on the basis of the balances of the assets under management and on the basis of the proceeds from planholders, in accordance with the Commissioner's directives.

C) Management fees from mutual funds and customer portfolio management:

Income from the management of mutual funds and income from the management of customers' portfolios are recognized on the basis of the balances of assets under management.

3. Fees and commissions**In the Insurance Agencies**

Income from property and casualty insurance fees and commissions is recognized as incurred. Income from life insurance fees and commissions is recognized on the basis of the date of entitlement for payment of the fees and commissions according to agreements with the insurance companies, net of provisions for refunds of fees and commissions due to expected cancellations of insurance policies.

In the insurance company

Income from reinsurance fees and commissions in property and casualty, life and health insurance is recognized as incurred.

4. Rental income

Rental income is recognized on a straight-line basis over the lease term. A fixed increase in rent over the term of the contract is recognized as income on a straight-line basis over the lease term.

5. Revenue recognition from the disposal of art works

Income from sale of works of art is included at the date of delivery when the revenue can be reliably estimated, there is a binding contractual agreement with the buyer and it is highly likely that the consideration will be received.

6. Income from financial services**A. Income from underwriting and distribution**

Income from underwriting and distribution fees and commissions is recorded when the issuance and distribution is carried out, after fulfillment of the terms of the agreement with the company and/or issuer.

B. Income from consulting services

Income from consulting services (insurance agencies, management of employee options) is charged to profit or loss over the service period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

W. Revenue recognition

6. Income from financial services (cont.)

C. Income from financial transactions

Net income (loss) from financial transactions include gains on ETFs activity, market making, interest income (expenses) on amounts invested (taken), income from dividends, changes in fair value of financial assets measured by fair value through profit or loss, losses from impairment of financial assets, profits (losses) from exchange rate differentials and profits (losses) from derivative instruments recognized in profit or loss. Interest income and expenses are recognized upon accrual, using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is paid in respect of liquid shares, the Company recognizes the income on the ex-dividend date.

7. Income from factoring and clearing

- A. Fees in respect of factoring of checks constitute an integral part of the effective interest rate of loans in the Group, and are therefore accounted for as an adjustment of the effective interest rate.

Income from fees and commissions in respect of other services is recognized when the service is rendered to the customer.

B. Income from financial guarantee

Income from provision of financial guarantee services is recognized on a straight-line basis over the term of the financial guarantee contract.

X. Gains (losses) on investments, net, finance income and expenses

Gains (losses) on investments, net and finance income include interest income and linkage differences for debt assets, dividend income, gains (losses) from sale of available-for-sale financial assets, changes in the fair value of financial assets presented at fair value through profit and loss, foreign currency gains (losses) for debt assets, changes in the fair value of investment property and rental income from investment property. Gains (losses) on the realization of investments are calculated as the difference between the net realization consideration and the original cost or the amortized cost and are recognized on the sale date.

Interest income is recognized as it accrues using the effective interest method. Income from dividend is recognized when the Company is entitled to receive payment. If the dividend is in respect of liquid shares, the Company recognizes the income on the ex-dividend date.

Foreign currency gains and losses and changes in the fair value of investments are reported on a net basis.

Finance expenses comprise interest expenses on loans received, interest and exchange rate differentials on reinsurers' deposits and balances, and changes in the time value of provisions. All uncapitalized borrowing costs are charged to the income statement using the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**Y. General and administrative expenses**

General and administrative expenses are classified as indirect expenses to settle claims (included under payments and changes in liabilities for insurance contracts and investment contracts), acquisition-related costs (included under fees and commissions, marketing expenses and other acquisition expenses) and the balance of general and administrative expenses included in this section. Classification is in accordance with the Group's internal models, validated periodically in accordance with the Company's activity, based on direct expenses charged and indirect expenses attributed.

Z. Taxes on income

The tax results for current or deferred taxes are carried to profit or loss, unless they refer to items carried to other comprehensive income or to equity.

Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of the reporting date, as well as adjustments to the tax liability payable in respect of prior years.

Deferred taxes

Deferred taxes are calculated for temporary differences between the amounts in the financial statements and the amounts taken into account for tax purposes.

Balances of deferred taxes are calculated at the tax rate that is expected to apply when the asset is disposed of or the liability settled, based on tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets are reviewed at each reporting date and amortized if it is no longer probable that they will be utilized. The carryforward losses and deductible temporary differences for which no deferred tax assets were recognized are reviewed at each reporting date, and if it is probable that they will be utilized, an appropriate deferred tax asset is recognized.

Deferred taxes in respect of investment property held to recover substantially all the economic benefits thereof by disposing of it rather than by using it, are measured according to the expected settlement method of the underlying asset, based on disposal rather than on use. If the Company owns a single asset entity, and the Company expects to dispose of the investment by selling the shares of the single asset entity rather than by disposing of the asset itself, the Company is required to recognize deferred taxes both for the temporary inside differences arising from the difference between the tax base of the asset and its carrying amount, and for the temporary outside differences arising from the difference between the tax basis of the shares and the share of the company holding the net assets of the subsidiary in the consolidated financial statements.

When calculating deferred taxes, taxes applicable in the event of a disposal of investments in investees are not taken into account, if the sale of such investments is not expected in the foreseeable future. In addition, deferred taxes that would apply in the event of the distribution of earnings by investees as dividends have not been taken into account, since the distribution does not give rise to an additional tax liability, or due to the Company's policy not to distribute a dividend by a consolidated company that triggers an additional tax liability. Income tax relating to shareholder distributions of an equity instrument and transaction costs of an equity transaction are accounted for according to IAS 12. Deferred taxes are offset if there is a legal right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**AA. Earnings per share**

Earnings per share are calculated by dividing the net income attributable to the Company's shareholders by the weighted number of ordinary shares outstanding in the period. Potential ordinary shares are included in the calculation of diluted earnings per share when their conversion dilutes earnings per share from continuing operations. Potential ordinary shares that have been converted during the period are included in the diluted earnings per share only until the conversion date, and starting from that date - they are included in basic earnings per share. The Company's share in the earnings of investees is based on its share in the earnings per share of the investees multiplied by the number of shares held by the Company.

BB. Reclassification

The Notes to the Financial Statements include reclassifications. The reclassifications did not have an effect on the equity, profit and loss and comprehensive income.

CC. Non-current assets or a disposal class held for sale and discontinued operations

Non-current assets or a disposal class are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Company must be committed to the sale, a plan to identify a buyer is in place, and it is highly probable that the sale will be completed within a year from the classification date. Before the classification of the assets as held for sale, they are measured in accordance with the Group's accounting policy. Subsequent to the classification, these assets are measured at the lower of their carrying amount and fair value less costs to sell, and presented separately in the statement of financial position. As from their initial classification, these assets are not amortized.

An entity shall recognize an impairment loss in respect of an asset or a class of assets in accordance with IAS 36. Impairment loss and subsequent gains or losses arising from remeasurement shall be recognized in profit or loss. Gains will be recognized up to accrued amount of impairment loss previously recognized.

Other comprehensive income (loss) in respect of a non-current asset or a group of non-current assets held for sale are presented separately in equity.

Where the Company changes the planning of the sale such that recovery of the asset will not be performed through a sale transaction, it ceases to classify the asset as held for sale and measures it according to the lower of its carrying amount had it not been classified as held for sale or according to the recoverable amount of the asset on the date of adoption of the decision not to sell.

When a company is bound to a sale plan which involves loss of control over a subsidiary, regardless of whether the company retains non-controlling interests in the subsidiary, it will classify all the assets and the liabilities of the subsidiary as held for sale.

A discontinued operation is a component of the Company that represents a separate major line of business or geographical area of operations, that constitutes an activity that was disposed of or that is classified as held for sale. The operating results of a discontinued operation (including the comparative figures) are presented separately in the statement of profit or loss, net of the tax effect.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**DD. Distribution of non-cash assets to owners**

The Company recognizes the liability in respect of distribution of assets when it is approved by the relevant Company organ. The liability is measured at fair value of the transferred asset, and carried directly to equity under the retained earnings line item. On each reporting date and until the asset is derecognized, the liability is measured at the fair value of the asset, and changes in fair value are carried to the retained earnings line item. On the date on which the asset is recognized, the Company recognizes a profit or loss at an amount equal to the difference between the amount of the liability and amount of the asset as per the financial statements on derecognition date. The Company accounts for non-cash assets that were distributed to owners in accordance with the provisions of IFRS 5.

EE. Accounting policy change - first-time application of new financial reporting standards and amendments to existing accounting standards**1. Amendment to IAS 16, Property, Plant, and Equipment**

In May 2020, the IASB published an amendment to IAS 16 (hereinafter - the "Amendment"). The amendment prohibits the deduction of proceeds received from the sale of items manufactured while a company is preparing its property, plant and equipment for its designated use from its cost. Rather, the Company should recognize the proceeds from the sale and the related costs in profit or loss.

The Amendment shall be applied as from annual periods beginning on January 1, 2022. The Amendment was applied retrospectively, but only to property, plant, and equipment items that are brought to the location and condition necessary for them to operate in the manner intended by management at the beginning of the earliest annual reporting period presented in the financial statements in which the Company first applies the Amendment. The cumulative effect of the first-time application of the Amendment is recognized as an adjustment to the opening balance of the retained earnings (or other equity component, where relevant) at the beginning of the earliest period presented. The above Amendment did not have a material effect on the financial statements of the Company.

2. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37 regarding costs that a company must include in assessing whether a contract is an onerous contract (hereinafter - the "Amendment").

According to the amendment, the testing should include costs directly attributable to the contract, and such costs include both incremental costs (such as raw materials and direct working hours) and the allocation of other costs directly related to the fulfillment of the contract (such as amortization of property, plant, and equipment used to fulfill the contract). The Amendment shall be applied as from annual periods beginning on January 1, 2022. The Amendment applies to contracts for which the obligations have not yet been fulfilled as of January 1, 2022. Upon application of the Amendment, the entity shall not restate the comparative figures but rather adjust the opening balance of the retained earnings on first-time application, in the amount of the cumulative impact of the Amendment.

The above Amendment did not have a material effect on the financial statements of the Company.

3. Amendment to IFRS 3, Business Combinations

In May 2020, the IASB issued an amendment to IFRS 3, Business Combinations, in respect to the Conceptual Framework. The Amendment is intended to replace the reference to the framework for preparing and presenting financial statements, by referencing the Conceptual Framework for Financial Reporting published in March, 2018 without significantly changing its requirements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**EE. Accounting policy change - first-time application of new financial reporting standards and amendments to existing accounting standards (cont.)****3. Amendment to IFRS 3, Business Combinations (cont.)**

The Amendment added an exception to the principle of recognition of a liability in accordance with IFRS 3 to prevent recognition of gains or losses immediately after a business combination ("Day 2 gains or losses") arising from liabilities and contingent liabilities that would fall under IAS 37 or IFRIC 21, if recognized separately.

In accordance with the exception, the acquirer implemented the provisions of IAS 37 or IFRIC 21, as applicable, in order to determine whether on the acquisition date there is a present obligation as a result of the past event, or whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date, respectively, and not in accordance with the definition of the liability in the Conceptual Framework.

The Amendment also clarified that contingent assets will not be recognized at the business combination date. The amendment was applied prospectively for annual reporting periods beginning on January 1, 2022. The above Amendment did not have a material effect on the financial statements of the Company.

4. Improvements to IFRSs 2018-2020

In May 2020, the IASB issued certain amendments in the annual improvements to IFRSs 2018-2020 project; the main amendment refers to IFRS 9.

The amendment to IFRS 9 clarifies the fees a company includes when it applies the '10 per cent' test with respect to Section B3.3.6 of IFRS 9 in assessing whether the terms of a modified or exchanged financial liability are substantially different from the terms of the original financial liability.

In accordance with the amendment, when determining fees paid net of fees received, a borrower includes in the cash flows only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

The Amendment shall be applied as from annual periods beginning on January 1, 2022. The amendment is applied to financial liabilities modified or exchanged as from the year in which the amendment to the standard is implemented for the first time, that is to say - as from January 1, 2022.

FF. Disclosure of the new IFRSs in the period prior to their application**1. IFRS 17 - Insurance Contracts**

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts (hereinafter - the "New Standard"). An amendment to the New Standard was published in May 2020. The New Standard sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue. The New Standard is expected to cause significant changes in the financial reporting of insurance companies.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**FF. Disclosure of the new IFRSs in the period prior to their application (cont.)****1. IFRS 17 - Insurance Contracts (cont.)**

According to the New Standard, the insurance liability should be measured as the present value of the expected cash flows from insurance contracts, taking into account the uncertainty inherent in these forecasts (the risk margin). In addition, the profit expected from the insurance contracts arising from the said calculations will be recognized over the coverage period, and the effect of changes in the assumptions (excluding interest) will also be spread over the coverage period. A loss will be recognized as incurred if a group of insurance contracts is not expected to be profitable or incurs losses.

For certain insurance contracts (usually property and casualty insurance contracts with insurance coverage of up to one year), a simpler measurement model that is not very different from the current measurement may be applied.

In accordance with International Financial Reporting Standard (IFRS) 17 regarding Insurance Contracts, the first-time application of the Standard will be from the quarterly and annual periods beginning on January 1, 2023. Accordingly, the transition date will begin on January 1, 2022.

However, in December 2022, the Capital Market, Insurance and Savings Authority published a revision to the "Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Roadmap"). In accordance with the Roadmap, and since the Securities Regulations (Annual Financial Statements), 2010 do not apply to information in the financial statements of the Company, which relates to the insurance company, the first-time application of the Standard by the Company will be from the quarterly and annual periods beginning on January 1, 2024. Accordingly, the transition date will begin on January 1, 2023. Furthermore, in accordance with the Roadmap, in their 2023 annual reports, the companies will be required to report, in a dedicated note to the financial statements, a pro forma report on the financial position as of January 1, 2023 (opening balances as of the transition date, without comparative figures), which will be drawn up in accordance with the provisions of IFRS 17 and IFRS 9.

Furthermore, the Roadmap lists the key preparations and time tables that the Capital Market, Insurance and Savings Authority believes should be taken and met in order to ensure Israeli insurance companies' preparedness for a successful application of the standard, including, among other things, in connection with the adaptation of the IT systems, completion of the formulation of accounting policies and preparations for the various required disclosures, conducting a quantitative assessment as to fair value in the lead up to the transition date, preparations for the calculation of the risk adjustment for non-financial risk, preparations for the independent auditors' audit, disclosure of quantitative voluntary information as part of a dedicated note as from the quarterly reports of the second quarter of 2023, disclosure of qualitative information as part of the dedicated note as from the quarterly reports of the second quarter of 2023, and for the relevant time table for checking the appropriateness of the controls relating to IT and the associated processes.

The New Standard will be applied retrospectively. If retrospective application is impracticable, one of the following approaches may be selected:

1. The modified retrospective approach.
2. The fair value approach.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

FF. Disclosure of the new IFRSs in the period prior to their application (cont.)

1. IFRS 17 - Insurance Contracts (cont.)

The Company is making preparations for the adoption of the standard in accordance with the time frames as stated above. As part of the standard's adoption process, the Company is implementing and integrating IT systems that are necessary for the implementation of the standard's provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements.

2. IFRS 9 - Financial Instruments

In January 2018 IFRS 9 - Financial Instruments came into force; the standard replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter - the "New Standard") mainly amends the provisions for the classification and measurement of financial assets and is applicable to all financial assets under IAS 39.

IFRS 4 allows an entity issuing insurance contracts to adopt IFRS 9 with adjustments (hereinafter - the "Overlay Approach") or to postpone the adoption of IFRS 9 to January 1, 2023 (hereinafter: the "Deferral Approach" or "Temporary Exemption"). This exemption is applied in the Company's consolidated financial statements (and in the financial statements of the insurance company) as from January 1, 2018 and through the reporting date. Upon the coming into effect of IFRS 17 and the cancellation of IFRS 4 on January 1, 2023, the Temporary Exemption expired. However, and in accordance with the revised "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" published by the Commissioner in December 2022, the first-time application of IFRS 17 and IFRS 9 by insurance companies in Israel will be from the quarterly and annual periods beginning on January 1, 2024. That is to say, the Commissioner extended the Temporary Exemption for insurance companies through January 1, 2024.

The Securities Regulations (Annual Financial Statements), 2010 do not apply to information in the financial statements of the Company, which relates to the insurance company, and therefore the Company will continue the application of the above-mentioned Temporary Exemption in connection with the insurance company's financial instruments through January 1, 2024. The first time application of IFRS 9 in respect of the financial instruments held by the other group companies (all companies except for the insurance company) shall be from quarterly and annual periods beginning on January 1, 2023.

According to the New Standard, upon initial recognition, all financial assets shall be measured at fair value. In subsequent periods, debt instruments should be measured at amortized cost only if both of the following cumulative conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows arising therefrom (hereinafter - the "principal and indebtedness test" only).
- The contractual terms and conditions of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of all other debt instruments and financial assets shall be made at fair value. The New Standard distinguishes between debt instruments measured at fair value through profit or loss and debt instruments measured at fair value through other comprehensive income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**FF. Disclosure of the new IFRSs in the period prior to their application (cont.)****2. IFRS 9 - Financial Instruments (cont.)**

Financial assets that are equity instruments will be measured in subsequent periods at fair value and the changes will be recognized in the profit and loss or in other comprehensive income (loss), as elected by the Company on an instrument-by-instrument basis. Nevertheless, if equity instruments are held for trading, it is mandatory to measure them at fair value through profit or loss. In addition, the New Standard includes a new model consisting of three stages for measuring the impairment of financial debt instruments that are not measured at fair value through profit or loss, based on the expected credit loss model. Each stage determines the measurement method of the expected credit losses, based on changes in the credit risk of the debt instrument. In addition, this model includes an expedient for financial assets with short credit periods.

As to derecognition and financial liabilities, the New Standard will continue to apply the same provisions to derecognition and to financial liabilities for which the fair value option has not been selected.

As to liabilities for which the fair value alternative was selected, the amount of the change in the liability's fair value - attributable to changes in the entity's credit risk - is recognized in other comprehensive income. All other fair value adjustments shall be carried to profit or loss.

The New Standard includes new requirements for hedge accounting, but allows companies to continue with the application of the provisions of IAS 39 regarding hedge accounting. The New Standard expands the disclosure requirements in relation to the Company's risk management activities.

As stated above, the Company applies the Temporary Exemption under IFRS 9 as made possible by IFRS 4, since it has not previously applied any version of IFRS 9, and its activities are mainly related to insurance:

As of December 31, 2015, the carrying amount of the Company's liabilities arising from contracts that fall within the scope of IFRS 4 is approximately 94% of the total carrying amount of the Company's liabilities. Since that date, there have been no changes in the Company's activity that require an updated assessment.

The Company believes that after assessing the implications of the New Standard's application, its application is not expected to have a material effect on the Company's financial statements.

The Company intends to adopt the New Standard on January 1, 2023 in respect of the financial instruments held by the other group companies (all companies except for the insurance company). The Company believes that the adoption of the standard is not expected to have a material effect on the financial statements.

3. Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter - the "Amendment"). The purpose of the amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "financial amounts in the financial statements subject to measurement uncertainty". The Amendment clarifies what changes in accounting estimates are and how they differ from changes in accounting policies and corrections of errors.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)**FF. Disclosure of the new IFRSs in the period prior to their application (cont.)****3. Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (cont.)**

The Amendment will be applied prospectively to annual periods beginning on January 1, 2023, and shall apply to changes in accounting policies and accounting estimates that occur at the beginning of that period or thereafter. Early application is permitted.

The Company is studying the effects of the amendment on the financial statements.

4. Amendment to IAS 12 - Taxes on Income

In May 2021, the IASB issued an amendment to IAS 12, Taxes on Income (hereinafter - "IAS 12" or the "Standard"), which narrows down the scope of the "initial recognition exemption" for deferred taxes set forth in Sections 15 and 24 to the Standard.

Under the guidelines for recognition of deferred tax assets and liabilities, IAS 12 exempts recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from initial recognition of assets and liabilities in certain transactions. This exemption is termed the 'initial recognition exemption' (IRE). The Amendment narrows the scope of the 'initial recognition exemption' and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from a transaction that is not a business combination and for which equal temporary differences are generated in debit and credit, even if they meet the other terms and conditions of the IRE.

The Amendment shall be applied as from annual periods beginning on January 1, 2023. Early application is permitted. Regarding lease transactions and recognition of a liability for decommissioning and restoration - the Amendment will be applied as of the beginning of the earliest reporting period presented in the financial statements in which the amendment was first applied, imputing the cumulative effect of the first-time application to the opening balance of the retained earnings (or other capital component, as applicable) as of that date.

The Company believes that the above amendment is not expected to have a material effect on the Company's financial statements.

5. Amendment to IFRS 16 - Leases

In September 2022, the IASB published an amendment to IFRS 16, Leases (hereinafter - the "Amendment"), whose objective is to provide an accounting treatment in the financial statements of the seller-lessee in sale and leaseback transactions, when the lease payments are variable lease payments that do not depend on an index or rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measure the lease liability upon initial recognition of such transactions. The selected approach constitutes an accounting policy that should be implemented consistently.

The Amendment shall be applied as from annual periods beginning on January 1, 2024, or thereafter; earlier application is permitted. The Amendment shall be applied retrospectively. The Company is studying the effects of the amendment on the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

GG. The following table presents information on the change in the CPI and US dollar exchange rate:

	CPI		Representative exchange rate of the US dollar
	In lieu CPI %	Known CPI %	%
For the year ended December 31, 2022	5.3	5.3	13.2
For the year ended December 31, 2021	2.8	2.4	(3.3)
For the year ended December 31, 2020	(0.7)	(0.6)	(7.0)

NOTE 3 - OPERATING SEGMENTS

The Company operates in the following operating segments:

1. Life insurance and savings segment

The life insurance and savings segment includes the life insurance subsegments and related coverages. The segment includes various categories of insurance policies as well insurance coverages in respect of various risks such as: death, disability, permanent health insurance, and more.

2. Health insurance segment

The health insurance segment includes the Group's health insurance activity. The segment includes long-term care, medical expenses insurance, surgery and transplants, dental, travel and foreign workers insurance and more.

3. Property and casualty insurance segment

The property and casualty insurance segment includes the liability and property subsegments. In accordance with the Commissioner's directives, the property and casualty insurance segment in Israel is broken down into compulsory motor insurance, motor property, other property and other liability subsegments:

- Compulsory motor insurance subsegment
The compulsory motor subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians).
- Motor property subsegment
The motor property subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle.
- Other liability subsegments
The liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employers' liability, professional liability and product liability.
- Property and other subsegments
Property subsegments other than motor and liability as well as other insurance subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)**4. Pension and Provident segment**

As from December 31, 2021, the Company presents the pension and provident activity as a reportable segment for the first time; through the said date, the activity was presented as part of the long-term savings segment. The comparative figures in the operating segments note were revised retrospectively as required under accounting standards.

As part of the implementation of the Company's strategy in the field of asset management in general and in the pension and provident activities in particular, on December 7, 2020, the Company entered into a merger agreement with Halman-Aldubi, such that as from March 31, 2021, upon the completion of the transaction, the Company consolidates Halman Aldubi's results in its financial statements.

The pension and provident segment includes the management of pension funds and provident funds through The Phoenix Pension and Provident, which is a wholly-owned subsidiary of the Company.

In accordance with the Commissioner's directives, segment activity is described separately for the pension activity and the provident activity.

5. Financial services segment

The financial services segment includes the results of The Phoenix Investment House (formerly Excellence). The segment includes investment management activity, including mutual funds, ETFs, brokerage services, underwriting services, market making in various securities and other services.

In addition, the results of this segment include those of The Phoenix Advanced Investments including The Phoenix group's alternative investment funds.

6. Insurance agencies segment

The insurance agencies segment includes the activity of the pension arrangement agencies and other insurance agencies in the group.

7. Credit segment

The credit segment includes Gama. Gama is a credit aggregator providing financing against post-dated checks (factoring), clearing, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing. As of June 2021, as a result of assuming control over Gama, the Company presents the company's results as a reportable segment. Until this date, Gama's results were presented under the "Other segment". The comparative figures in the operating segments note were revised retrospectively as required under accounting standards.

8. The activity is not attributed to operating segments

This activity includes part of the Group's HQ function that is not attributed to the operating segments, activities which are ancillary/overlapping with the Group's activity and holding assets and liabilities against the Company's share capital in accordance with the Capital Regulations. Financial liabilities that serve the Company's equity requirements and finance expenses in respect thereof are not allocated to the operating segments.

NOTE 3 - OPERATING SEGMENTS (cont.)**9. Other segment - reclassification**

As of the fourth quarter of 2021, the Company has classified the operations included under the "Other segment" to the "Financial services segment". The comparative figures have been reclassified. The said reclassification has no material effect on the financial services segment.

It should be noted that the Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve and the Commissioner's Position - Best Practice for Calculation of Reserves in Property and Casualty Insurance (for more information, see Note 41, Sections 5.1 and 5.2). This allocation may have an effect on investment income allocated to the different segments.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment

	For the year ended December 31, 2022									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident funds	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Premiums earned, gross	5,611,196	3,054,811	3,471,224	-	-	-	-	-	-	12,137,231
Premiums earned by reinsurers	282,181	222,363	1,065,550	-	-	-	-	-	-	1,570,094
Premiums earned - retention	5,329,015	2,832,448	2,405,674	-	-	-	-	-	-	10,567,137
Investment income (losses), net and finance income	(4,716,483)	(693,537)	105,630	90,823	14,526	10,632	87,879	(432,161)	(22,140)	(5,554,831)
Income from management fees	587,708	-	-	670,387	337,279	469	-	3,868	(51,983)	1,547,728
Income from fees and commissions (1)	68,306	48,549	247,245	-	-	723,577	-	-	(251,765)	835,912
Income from financial services	-	-	-	-	223,000	-	-	-	-	223,000
Income from factoring and clearing	-	-	-	-	-	-	142,754	-	-	142,754
Other income	4,204	-	-	15,864	90,919	35,228	-	2	(1,437)	144,780
Total income	1,272,750	2,187,460	2,758,549	777,074	665,724	769,906	230,633	(428,291)	(327,325)	7,906,480
Increase (decrease) in insurance liabilities and payments in respect of insurance contracts	(73,812)	730,355	2,234,066	98,221	-	-	-	-	-	2,988,830
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	180,954	272,140	570,707	-	-	-	-	-	-	1,023,801
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	(254,766)	458,215	1,663,359	98,221	-	-	-	-	-	1,965,029
Fees and commissions and other purchase expenses	573,176	481,619	701,452	315,325	71,433	8,854	5,696	-	(223,750)	1,933,805
General and administrative expenses	379,479	152,882	122,715	229,351	345,900	423,455	92,667	117,618	(58,783)	1,805,284
Other expenses	1,187	-	-	31,879	17,583	32,782	8,118	-	(453)	91,096
Finance expenses (income)	8,483	-	24,161	13,315	(2,054)	7,472	52,907	233,734	(19,484)	318,534
Total expenses	707,559	1,092,716	2,511,687	688,091	432,862	472,563	159,388	351,352	(302,470)	6,113,748
Company's share in the net results of investees	26,648	26,017	4,213	-	2,494	2,735	(57)	(502)	-	61,548
Net income (loss) before taxes on income	591,839	1,120,761	251,075	88,983	235,356	300,078	71,188	(780,145)	(24,855)	1,854,280
Other comprehensive income (loss) before taxes on income	18,923	(860)	(222,399)	-	(333)	70	1,593	(33,388)	-	(236,394)
Comprehensive income (loss) before taxes on income	610,762	1,119,901	28,676	88,983	235,023	300,148	72,781	(813,533)	(24,855)	1,617,886

(1) Arises from commission income received from agencies owned by the group, mainly from the life insurance and savings subsegment.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2021									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident funds	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Premiums earned, gross	5,422,835	2,735,295	3,003,301	-	-	-	-	-	-	11,161,431
Premiums earned by reinsurers	117,372	212,807	1,015,280	-	-	-	-	-	-	1,345,459
Premiums earned - retention	5,305,463	2,522,488	1,988,021	-	-	-	-	-	-	9,815,972
Investment income, net and finance income	12,538,375	1,134,567	357,247	87,687	3,342	21,453	25,033	482,791	(23,570)	14,626,925
Income from management fees	1,217,741	-	-	542,942	335,707	380	-	4,112	(51,516)	2,049,366
Income from fees and commissions (1)	37,401	51,859	233,640	-	-	569,036	-	-	(200,522)	691,414
Income from financial and other services	-	-	-	-	154,000	-	-	-	-	154,000
Income from factoring and clearing	-	-	-	-	-	-	52,871	-	-	52,871
Other income	224,543	188,680	-	2,712	8,526	44,485	240,292	123	(1,175)	708,186
Total income	19,323,523	3,897,594	2,578,908	633,341	501,575	635,354	318,196	487,026	(276,783)	28,098,734
Increase in insurance liabilities and payments in respect of insurance contracts	17,087,723	3,442,141	2,060,741	67,411	-	-	-	-	-	22,658,016
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	50,414	115,238	636,440	-	-	-	-	-	-	802,092
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	17,037,309	3,326,903	1,424,301	67,411	-	-	-	-	-	21,855,924
Fees and commissions and other purchase expenses	531,826	424,718	629,755	219,693	62,862	8,905	1,754	196	(183,634)	1,696,075
General and administrative expenses	399,875	150,508	132,198	274,197	313,769	337,422	43,347	81,170	(57,169)	1,675,317
Other expenses	15,127	-	-	16,185	12,000	18,691	4,059	1,845	(453)	67,454
Finance expenses (income)	28,877	2,607	(1,507)	7,406	6,706	2,049	10,610	182,784	(21,530)	218,002
Total expenses	18,013,014	3,904,736	2,184,747	584,892	395,337	367,067	59,770	265,995	(262,786)	25,512,772
Company's share in the net results of investees	93,614	8,624	497	-	4,860	4,539	(630)	-	-	111,504
Profit before taxes on income	1,404,123	1,482	394,658	48,449	111,098	272,826	257,796	221,031	(13,997)	2,697,466
Other comprehensive income (loss) before taxes on income	130,548	6,756	90,708	-	2,060	(645)	(425)	307,613	-	536,615
Comprehensive income (loss) before taxes on income	1,534,671	8,238	485,366	48,449	113,158	272,181	257,371	528,644	(13,997)	3,234,081

(1) Arises from commission income received from agencies owned by the group, mainly from the life insurance and savings subsegment.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2020									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident funds	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	In NIS thousand									
Premiums earned, gross	4,765,553	2,781,698	2,835,401	-	-	-	-	-	-	10,382,652
Premiums earned by reinsurers	99,195	286,671	943,112	-	-	-	-	-	-	1,328,978
Premiums earned - retention	4,666,358	2,495,027	1,892,289	-	-	-	-	-	-	9,053,674
Investment income, net and finance income	4,592,667	482,269	130,873	40,157	36	37	-	239,167	(5,500)	5,479,706
Income from management fees	736,673	-	-	369,873	293,845	1,361	-	3,084	(47,647)	1,357,189
Income from fees and commissions (1)	39,119	44,170	214,717	-	-	389,025	-	-	(130,980)	556,051
Income from financial and other services	-	-	-	-	159,000	-	-	-	-	159,000
Other income	11,673	23,999	-	-	10,137	89,102	-	19	(3,084)	131,846
Total income	10,046,490	3,045,465	2,237,879	410,030	463,018	479,525	-	242,270	(187,211)	16,737,466
Increase in insurance liabilities and payments in respect of insurance contracts	8,478,358	2,371,630	1,640,879	38,697	-	-	-	-	-	12,529,564
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	49,450	234,439	542,801	-	-	-	-	-	-	826,690
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	8,428,908	2,137,191	1,098,078	38,697	-	-	-	-	-	11,702,874
Fees and commissions and other purchase expenses	554,421	498,524	597,354	172,909	40,000	-	-	-	(113,105)	1,750,103
General and administrative expenses	378,758	161,986	144,083	164,808	261,544	237,974	-	66,210	(55,335)	1,360,028
Other expenses	20,762	-	-	5,541	12,409	9,123	-	7,505	(455)	54,885
Finance expenses (income)	3,393	(2,324)	(8,021)	4	5,402	3,314	-	147,191	(2,450)	146,509
Total expenses	9,386,242	2,795,377	1,831,494	381,959	319,355	250,411	-	220,906	(171,345)	15,014,399
Company's share in the net results of investees	12,006	2,055	(3,592)	-	2,070	8,670	18,488	-	-	39,697
Profit (loss) before taxes on income	672,254	252,143	402,793	28,071	145,733	237,784	18,488	21,364	(15,866)	1,762,764
Other comprehensive income (loss) before taxes on income	6,732	(33,485)	121,690	-	1,467	(332)	-	181,489	-	277,561
Comprehensive income before taxes on income	678,986	218,658	524,483	28,071	147,200	237,452	18,488	202,853	(15,866)	2,040,325

(1) Arises from commission income received from agencies owned by the group, mainly from the life insurance and savings subsegment.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the pension and provident segment

	For the year ended December 31, 2022		
	Provident funds	Pension	Total
	In NIS thousand		
Investment income (losses), net and finance income	95,052	(4,229)	90,823
Income from management fees	415,822	254,565	670,387
Other income	14,215	1,649	15,864
Total income	525,089	251,985	777,074
Change in liabilities for investment contracts	98,221	-	98,221
Fees and commissions, marketing expenses and other purchase expenses	175,411	139,914	315,325
General and administrative expenses	143,534	85,817	229,351
Other expenses	20,344	11,535	31,879
Finance expenses	9,862	3,453	13,315
Total expenses	447,372	240,719	688,091
Comprehensive income before taxes on income	77,717	11,266	88,983

	For the year ended December 31, 2021		
	Provident funds	Pension	Total
	In NIS thousand		
Investment income, net and finance income	77,103	10,584	87,687
Income from management fees	338,699	204,243	542,942
Other income	-	2,712	2,712
Total income	415,802	217,539	633,341
Change in liabilities for investment contracts	67,411	-	67,411
Fees and commissions, marketing expenses and other purchase expenses	123,118	96,575	219,693
General and administrative expenses	177,343	96,854	274,197
Other expenses	15,383	802	16,185
Finance expenses	2,848	4,558	7,406
Total expenses	386,103	198,789	584,892
Comprehensive income before taxes on income	29,699	18,750	48,449

	For the year ended December 31, 2020		
	Provident funds	Pension	Total
	In NIS thousand		
Investment income, net and finance income	37,459	2,698	40,157
Income from management fees	199,220	170,653	369,873
Total income	236,679	173,351	410,030
Change in liabilities for investment contracts	38,697	-	38,697
Fees and commissions, marketing expenses and other purchase expenses	85,389	87,520	172,909
General and administrative expenses	80,118	84,690	164,808
Other expenses	733	4,808	5,541
Finance expenses (income)	21	(17)	4
Total expenses	204,958	177,001	381,959
Comprehensive income (loss) for the year before taxes on income	31,721	(3,650)	28,071

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment

	For the year ended December 31, 2022				Total
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	
			In NIS thousand		
Gross premiums	721,382	1,445,963	892,080	657,496	3,716,921
Reinsurance premiums	138,769	8	611,459	311,648	1,061,884
Premiums - retention	582,613	1,445,955	280,621	345,848	2,655,037
Change in unearned premium balance, retention	85,034	132,141	18,905	13,283	249,363
Premiums earned - retention	497,579	1,313,814	261,716	332,565	2,405,674
Investment income, net and finance income	45,588	12,991	5,192	41,859	105,630
Income from fees and commissions	55,428	209	149,590	42,018	247,245
Total income	598,595	1,327,014	416,498	416,442	2,758,549
Payments and change in liabilities in respect of insurance contracts, gross	443,736	1,196,545	263,456	330,329	2,234,066
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	118,598	342	204,498	247,269	570,707
Payments and change in liabilities for insurance contracts - retention	325,138	1,196,203	58,958	83,060	1,663,359
Fees and commissions, marketing expenses and other purchase expenses	80,481	288,221	203,887	128,863	701,452
General and administrative expenses	26,755	47,818	26,314	21,828	122,715
Finance expenses	11,890	-	1,354	10,917	24,161
Total expenses	444,264	1,532,242	290,513	244,668	2,511,687
Company's share in the net results of investees	1,743	672	198	1,600	4,213
Profit (loss) before taxes on income	156,074	(204,556)	126,183	173,374	251,075
Other comprehensive loss before taxes on income	(91,992)	(35,462)	(10,477)	(84,468)	(222,399)
Comprehensive income (loss) for the year before taxes on income	64,082	(240,018)	115,706	88,906	28,676
Liabilities in respect of insurance contracts, gross, as of December 31, 2022	3,025,588	1,061,880	670,253	2,382,762	7,140,483
Liabilities in respect of insurance contracts - retention - as of December 31, 2022	1,902,667	1,061,809	196,571	1,663,974	4,825,021

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 80% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 82% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment (cont.)

	For the year ended December 31, 2021				
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	Total
	In NIS thousand				
Gross premiums	653,843	1,155,436	759,375	586,698	3,155,352
Reinsurance premiums	270,705	1,759	512,033	263,550	1,048,047
Premiums - retention	383,138	1,153,677	247,342	323,148	2,107,305
Change in unearned premium balance, retention	44,160	66,392	3,322	5,410	119,284
Premiums earned - retention	338,978	1,087,285	244,020	317,738	1,988,021
Investment income, net and finance income	146,709	52,820	17,077	140,641	357,247
Income from fees and commissions	80,703	101	124,803	28,033	233,640
Total income	566,390	1,140,206	385,900	486,412	2,578,908
Payments and change in liabilities in respect of insurance contracts, gross	611,086	874,384	254,462	320,809	2,060,741
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	314,908	1,035	197,238	123,259	636,440
Payments and change in liabilities for insurance contracts - retention	296,178	873,349	57,224	197,550	1,424,301
Fees and commissions, marketing expenses and other purchase expenses	69,940	262,071	188,009	109,735	629,755
General and administrative expenses	29,325	48,447	27,020	27,406	132,198
Finance income	(726)	-	(85)	(696)	(1,507)
Total expenses	394,717	1,183,867	272,168	333,995	2,184,747
Company's share in the net results of investees	204	73	24	196	497
Profit (loss) before taxes on income	171,877	(43,588)	113,756	152,613	394,658
Other comprehensive income before taxes on income	37,278	13,354	4,339	35,737	90,708
Comprehensive income (loss) for the year before taxes on income	209,155	(30,234)	118,095	188,350	485,366
Liabilities in respect of insurance contracts, gross, as of December 31, 2021	2,974,669	875,937	654,312	2,203,670	6,708,588
Liabilities in respect of insurance contracts - retention - as of December 31, 2021	1,772,342	874,770	184,621	1,724,198	4,555,931

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 81% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 83% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the property and casualty insurance segment (cont.)

	For the year ended December 31, 2020				Total
	Compulsory motor	Motor property	Property and other subsegments (*)	Other liability subsegments (**)	
	In NIS thousand				
Gross premiums	584,123	1,031,838	772,728	486,363	2,875,052
Reinsurance premiums	288,266	135	527,646	164,581	980,628
Premiums - retention	295,857	1,031,703	245,082	321,782	1,894,424
Change in unearned premium balance, retention	19,988	(15,965)	(6,996)	5,108	2,135
Premiums earned - retention	275,869	1,047,668	252,078	316,674	1,892,289
Investment income, net and finance income	46,101	22,236	6,334	56,202	130,873
Income from fees and commissions	86,229	-	111,679	16,809	214,717
Total income	408,199	1,069,904	370,091	389,685	2,237,879
Payments and change in liabilities in respect of insurance contracts, gross	405,449	700,372	302,746	232,312	1,640,879
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	271,132	(7)	207,374	64,302	542,801
Payments and change in liabilities for insurance contracts - retention	134,317	700,379	95,372	168,010	1,098,078
Fees and commissions, marketing expenses and other purchase expenses	66,377	255,818	176,843	98,316	597,354
General and administrative expenses	30,616	54,182	32,096	27,189	144,083
Finance income	(3,964)	-	(411)	(3,646)	(8,021)
Total expenses	227,346	1,010,379	303,900	289,869	1,831,494
Company's share in the net results of investees	(1,519)	(519)	(157)	(1,397)	(3,592)
Net income before taxes on income	179,334	59,006	66,034	98,419	402,793
Other comprehensive income before taxes on income	51,449	17,583	5,334	47,324	121,690
Comprehensive income before taxes on income	230,783	76,589	71,368	145,743	524,483
Liabilities in respect of insurance contracts, gross, as of December 31, 2020	2,731,581	717,570	677,415	2,058,158	6,184,724
Liabilities in respect of insurance contracts - retention - as of December 31, 2020	1,725,755	717,570	190,626	1,710,351	4,344,302

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 81% of total premiums in these subsegments.

(**) Other liability insurance subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 84% of total premiums in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Information about the segment's assets and liabilities

	For the year ended December 31, 2022									
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident funds	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets	Total
	NIS thousands									
Assets										
Intangible assets	1,854	-	-	459,185	904,315	683,576	8,362	934,234	-	2,991,526
Deferred acquisition costs	863,003	443,236	321,075	901,421	-	-	-	-	(75,352)	2,453,383
Investments in associates	526,953	505,418	327,926	-	143,383	14,128	-	75,929	-	1,593,737
Investment property in respect of yield-dependent contracts	2,142,074	-	-	-	-	-	-	-	-	2,142,074
Investment property - other	667,261	251,745	228,893	-	-	-	-	-	-	1,147,899
Financial investments in respect of yield-dependent contracts	72,656,963	4,737,308	-	-	-	-	-	-	-	77,394,271
Financial investments for holders of promissory notes, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	-	-	201,000	-	-	-	-	201,000
Credit in respect of factoring, clearing and financing	-	-	-	-	-	-	3,443,337	-	-	3,443,337
Other financial investments										
Liquid debt assets	1,323,789	499,442	1,136,394	110,862	15,825	6,701	-	2,566,882	-	5,659,895
Illiquid debt assets	9,899,829	1,947,110	1,674,309	894,368	823,029	133,347	10,711	1,180,797	(102,000)	16,461,500
Shares	218,087	82,280	401,134	19,221	502,021	6,340	-	1,173,189	-	2,402,272
Other	1,625,620	613,318	416,804	48,511	27,552	36,346	-	2,234,672	-	5,002,823
Total other financial investments	13,067,325	3,142,150	3,628,641	1,072,962	1,368,427	182,734	10,711	7,155,540	(102,000)	29,526,490
Cash and cash equivalents in respect of yield-dependent contracts	15,361,660	996,849	-	-	-	-	-	-	-	16,358,509
Other cash and cash equivalents	225,596	85,113	736,632	194,063	237,702	217,963	20,269	1,722,428	-	3,439,766
Reinsurance assets	298,632	558,155	2,315,462	-	-	-	-	-	-	3,172,249
Premiums collectible	39,211	116,148	601,970	-	-	-	-	-	-	757,329
Other assets	135,072	39,714	542,217	48,672	1,112,358	122,706	29,571	2,377,011	(1,511,714)	2,895,607
Total assets	105,985,604	10,875,836	8,702,816	2,676,303	3,967,185	1,221,107	3,512,250	12,265,142	(1,689,066)	147,517,177
Total assets in respect of yield-dependent contracts	90,234,735	5,820,853	-	-	-	-	-	-	-	96,055,588
Liabilities:										
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,517,305	4,784,707	7,140,483	1,016,001	-	-	-	-	-	25,458,496
Liabilities in respect of insurance contracts and yield-dependent investment contracts	88,307,936	5,734,157	-	-	-	-	-	-	-	94,042,093
Liabilities for promissory notes, ETFs, short ETNs and composite ETNs	-	-	-	-	200,698	-	-	-	-	200,698
Financial liabilities	1,651,997	205,917	38,636	1,512	1,737,636	85,075	2,986,569	6,500,222	(102,000)	13,105,564
Other liabilities	1,715,439	647,196	1,250,088	561,663	240,477	169,867	59,824	1,044,088	(1,511,714)	4,176,928
Total liabilities	104,192,677	11,371,977	8,429,207	1,579,176	2,178,811	254,942	3,046,393	7,544,310	(1,613,714)	136,983,779

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Information about the segment's assets and liabilities (cont.)

	As of December 31, 2021								
	Life insurance and savings	Health	Property and casualty insurance	Pension and provident funds	Financial services	Insurance agencies	Credit	Not attributed to operating segments	Adjustments and offsets
	In NIS thousand								
Assets:									
Intangible assets	1,461	-	-	448,268	852,205	570,909	4,264	897,953	-
Deferred acquisition costs	841,267	409,979	273,817	541,050	-	-	-	-	(55,465)
Investments in associates	911,112	255,480	27,665	1,605	81,710	45,696	59	24,661	(1,605)
Investment property in respect of yield-dependent contracts	2,062,862	-	-	-	-	-	-	-	-
Investment property - other	621,310	256,810	246,714	-	-	-	-	-	-
Financial investments in respect of yield-dependent contracts	75,651,779	5,446,880	-	-	-	-	-	-	-
Financial investments for holders of promissory notes, ETFs, short ETNs, composite ETNs, and deposit certificates	-	-	-	-	206,000	-	-	-	-
Credit in respect of factoring, clearing and financing	-	-	-	-	-	-	2,550,392	-	-
Other financial investments									
Liquid debt assets	1,166,373	482,103	1,918,486	64,846	30,000	4,768	-	3,806,357	-
Illiquid debt assets	7,327,626	2,973,334	1,228,756	926,128	671,000	166,192	11,502	820,678	(160,775)
Shares	373,045	154,193	729,683	27,550	115,906	10,527	1,520	1,349,473	-
Other	1,390,601	574,785	579,099	36,689	33,790	26,847	-	1,857,160	-
Total other financial investments	10,257,645	4,184,415	4,456,024	1,055,213	850,696	208,334	13,022	7,833,668	(160,775)
Cash and cash equivalents in respect of yield-dependent contracts	12,868,655	916,938	-	-	-	-	-	-	-
Other cash and cash equivalents	240,138	99,257	352,270	83,871	163,427	82,381	13,006	1,119,803	-
Reinsurance assets	191,328	462,561	2,152,657	-	-	-	-	-	-
Premiums collectible	32,339	105,249	534,968	-	-	-	-	-	-
Other assets	103,954	45,190	180,457	63,790	797,322	84,154	33,712	1,634,735	(655,667)
Total assets	103,783,850	12,182,759	8,224,572	2,193,797	2,951,360	991,474	2,614,455	11,510,820	(873,512)
Total assets in respect of yield-dependent contracts	90,733,839	6,382,824	-	-	-	-	-	-	-
Liabilities:									
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,350,254	5,104,795	6,708,588	949,349	-	-	-	-	-
Liabilities in respect of insurance contracts and yield-dependent investment contracts	89,264,766	6,363,818	-	-	-	-	-	-	-
Liabilities for promissory notes, ETFs, short ETNs and composite ETNs	-	-	-	-	205,000	-	-	-	-
Financial liabilities	269,792	20,372	6,871	18,993	1,038,532	58,647	2,287,842	5,274,013	(162,380)
Other liabilities	987,071	407,991	1,250,365	184,398	238,092	145,896	28,538	1,310,550	(655,667)
Total liabilities	102,871,883	11,896,976	7,965,824	1,152,740	1,481,624	204,543	2,316,380	6,584,563	(818,047)

NOTE 4 - BUSINESS COMBINATIONS

A. Assuming control in The Phoenix Capital Ltd.

1. General

In March 2022, the Company updated the targets of the multi-year strategic plan. As part of the implementation of the multi-year strategic plan, the Company took the following steps during the reporting period:

A. Completing the restructuring of The Phoenix Advanced Investments.

The Company took steps to hold all alternative investments of The Phoenix group under The Phoenix Advanced Investments Ltd. Accordingly, in the reporting period, various steps were taken in order to achieve the above, including: The distribution, as a dividend in kind from The Phoenix Advanced Investments of Quality Pension Insurance Agency (2017) Ltd., and 16% of The Phoenix Pension and Provident's shares it held, and the sale of The Phoenix IEC Central Severance Fund Ltd. (formerly - Halman-Aldubi IEC Gemel Ltd.) to the Company. Concurrently, the Company's holdings in The Phoenix Advanced Investments were transferred to The Phoenix Investments, and the holdings of The Phoenix Investments in The Phoenix Capital Ltd. (hereinafter - the "Phoenix Capital") and the Phoenix Investment Funds Ltd. (which manage the activity of alternative investment funds) were transferred to The Phoenix Advanced Investments.

B. Amendment to a Shareholders Agreement in The Phoenix Capital Ltd.

The Company has an indirect 65% stake in The Phoenix Capital, which is engaged in the establishment, management and distribution of alternative investment funds. The Phoenix Capital's activity constitutes a part of the Company's strategic plan to achieve growth in the area of investment management in general, and in the area of establishing, management and distribution of alternative investment funds in particular. The remaining holdings in The Phoenix Capital are held by Safra Consultation and Investments Ltd. (hereinafter - "Safra"). The parties have in place a shareholders agreement that regulates the management of The Phoenix Capital; the said agreement stipulates, among other things, that decisions in The Phoenix Capital will be made jointly, despite the fact that the parties' stakes in the company are not equal.

On June 29, 2022, the parties signed an addendum to the agreement, which regulated issues which are not material to the Company; the addendum also regulates the manner by which The Phoenix Capital is managed; among other things, and as part of the implementation of the Company's strategic plan, the addendum made changes to the decision-making processes in The Phoenix Capital, such that decisions are made based on the parties' stake in the company. As a result of the said amendment, the latter changed the recording of its holding in The Phoenix Capital from joint control to control.

A valuation of The Phoenix Capital was carried out by an independent external appraiser on July 27, 2022. The valuation was based on the fair value calculated in accordance with the discounted cash flow method (DCF). The value was calculated for each of the segments comprising The Phoenix Capital's activity. The future cash flows that the activity is expected to generate were forecasted based on a reasonable scenario, with a growth assumption of 2%-3%, and were discounted using a 16% discount rate.

NOTE 4 - BUSINESS COMBINATIONS (cont.)

A. Assuming control in The Phoenix Capital Ltd. (cont.)

2. The Phoenix Capital business combination

The Company recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. A final adjustment of the consideration for the purchase as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. At the final measurement date, the adjustments were made by way of restating the comparative results previously reported according to the provisional measurement. The Company has opted to measure the non-controlling interests in the acquired company according to the proportionate share of the non-controlling interests in the fair value of the net identified assets of the acquiree.

In March 2023 a final valuation was received, which were conducted by an external appraiser; accordingly, the assets acquired and the liabilities assumed as of acquisition date were adjusted.

The adjustments to the final valuation were negligible; therefore, the Company made the adjustments to the temporary amounts recognized as part of the temporary PPA, including the cost of acquisition and its allocation to the different line items in the last quarter of 2022.

The fair value of The Phoenix Capital's identifiable assets and identifiable liabilities on consolidation commencement date (June 30, 2022):

	In NIS thousand
Intangible assets	49,065
Other receivables and debit balances	6,493
Investment in an associate	72,109
Cash and cash equivalents	3,800
Total assets	131,467
Deferred taxes	(11,285)
Payables and credit balances	(3,041)
Financial liabilities	(2,225)
Total liabilities	(16,551)
Identifiable assets net of identifiable liabilities	114,916
Non-controlling interests	(45,976)
Balance of investment in investee prior to the acquisition	(5,407)
Gain from assuming control	(87,493)
Goodwill arising from the acquisition	23,960
Total acquisition cost	-

NOTE 4 - BUSINESS COMBINATIONS (cont.)

A. Assuming control in The Phoenix Capital Ltd. (cont.)

2. The Phoenix Capital business combination (cont.)

	In NIS thousand
Cash arising from the acquisition (used as acquisition proceeds):	
Cash and cash equivalents in the acquiree as of the acquisition date	3,800
Cash paid as acquisition proceeds	-
Cash, net	<u>3,800</u>

As stated above, the date on which control was assumed is June 30, 2022, and therefore the results of The Phoenix Capital in the financial services segment until the said assumption of control were included in the net results of investees line item. In addition, the one-off gain from assuming control in the amount of NIS 87 million was imputed to other income.

B. Assuming control in Dorbit Insurance Agency (1999) Ltd.

During the second quarter of 2022, the Company completed a transaction for the acquisition of a further 20% stake in Dorbit Insurance Agency (1999) Ltd. (hereinafter - "Dorbit"), such that subsequent to the acquisition, the a consolidated subsidiary of The Phoenix Agencies indirectly holds 70% of Dorbit's shares. Subsequent to the completion of the transaction, and as a result of assuming control in Dorbit, the consolidated company recognized a pre- and post-tax profit of NIS 22 million.

As of the report date, the Company recognized the fair value of the assets acquired and the liabilities assumed as part of the business combination according to a provisional measurement. As of the date of approval of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the purchase as well as the fair value of the assets and liabilities purchased can be carried out up to 12 months from the date of purchase. At the time of the final measurement, the adjustments are made by way of a restating the comparison figures previously reported according to the provisional measurement. Accordingly, as part of the business combination, the Company included intangible assets comprising insurance portfolios totaling NIS 18 million, goodwill totaling NIS 23 million and other net assets whose amount is immaterial.

C. Assuming control in Munin Investment Company Ltd.

On January 20, 2022, an agreement was signed for the acquisition of 100% of the shares of "Munin Investment Company Ltd." (hereinafter - "Munin"), in consideration for NIS 45,000 thousand (capitalized cost - NIS 44,545 thousand). As of December 31, 2022, the outstanding unpaid balance, which is classified into the other payables and long-term liabilities line items amounts to NIS 10,000 thousand and NIS 10,000 thousand, respectively. The agreement applies retrospectively, as of January 1, 2022.

Munin is the owner of El-Ad Insurance Agency Ltd.

NOTE 4 - BUSINESS COMBINATIONS (cont.)

C. Assuming control in Munin Investment Company Ltd. (cont.)

In accordance with an appraisal received from an external appraiser in connection with the allocation of the excess of cost, and which has not yet been given final approval, the fair value of Munin's identifiable assets and liabilities on the acquisition's effective date is:

	In NIS thousand
Cash and cash equivalents	542
Insurance fees and commissions receivable	1,323
Current tax assets	15
Receivables and debit balances	227
Property, plant and equipment, net	638
Deferred taxes	294
Intangible assets	21,028
Total assets	24,067
Liability for trade payables	115
Payables and credit balances	1,918
Liability in respect of employee rights upon retirement	227
Deferred tax liability for an intangible asset arising on acquisition	4,836
Total liabilities	7,093
Identifiable assets net of identifiable liabilities	16,971
Goodwill arising from the acquisition	27,574
Total acquisition cost	44,545

D. Additional acquisitions by consolidated companies of The Phoenix Agencies

Further to what is stated in Section B and C above, during the reporting period, consolidated companies of The Phoenix Agencies acquired insurance agencies/ assumed control for the first time in insurance agencies. As a result of those acquisitions, consolidated companies of The Phoenix Agencies recorded intangible assets comprising insurance portfolios totaling NIS 23 million, goodwill totaling NIS 4 million and other net assets whose amount is immaterial.

NOTE 5 - INTANGIBLE ASSETS

A. Composition and changes

	<u>Goodwill</u>	<u>Original differences attributed to fees and commissions portfolios and future management fees</u>	<u>Non-competition</u>	<u>Brand</u>	<u>Computer software</u>	<u>Total</u>
	<u>In NIS thousand</u>					
<u>Cost</u>						
Balance as of January 1, 2021	1,356,973	454,453	60,253	45,915	2,758,219	4,675,813
Additions	37,766	17,738	(688)	-	260,106 (*)	314,922
Company consolidated for the first time	422,040	303,059	1,099	9,099	37,541	772,838
Deconsolidation	(23,848)	-	-	-	-	(23,848)
Derecognitions	(17,223)	(28,467)	-	-	-	(45,690)
Balance as of December 31, 2021	1,775,708	746,783	60,664	55,014	3,055,866	5,694,035
Additions (see Section C below)	6,377	15,943	165	88	312,153(*)	334,726
First-time consolidation (see Section D below)	79,216	110,850	688	-	-	190,754
Derecognitions (see E below)	(4,369)	(9,304)	-	-	(7,528)	(21,201)
Balance as of December 31, 2022	1,856,932	864,272	61,517	55,102	3,360,491	6,198,314
<u>Accumulated amortization and accumulated impairment losses</u>						
Balance as of January 1, 2021	259,030	284,733	50,373	45,915	2,019,094	2,659,145
Amortization recognized during the year (**)	-	48,115	2,144	182	204,931	255,372
First-time consolidation (see Section D below)	-	255	-	-	5,959	6,214
Derecognitions	(1,336)	(420)	-	-	-	(1,756)
Balance as of December 31, 2021	257,694	332,683	52,517	46,097	2,229,984	2,918,975
Amortization recognized during the year (**)	-	66,730	3,260	364	222,153	292,507
First-time consolidation (see Section D below)	-	320	-	-	-	320
Derecognitions	-	(1,729)	-	-	(3,285)	(5,014)
Balance as of December 31, 2022	257,694	398,004	55,777	46,461	2,448,852	3,206,788
Net carrying amount						
As of December 31, 2022	1,599,238	466,268	5,740	8,641	911,639	2,991,526
As of December 31, 2021	1,518,014	414,100	8,147	8,917	825,882	2,775,060

(*) Additions in respect of computer software include additions in respect of internal-use software in 2022 and 2021 amounting to NIS 220 million and NIS 181 million, respectively.

(**) The amortization recognized during the year (except for computer software) was carried to the other expenses line item.

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

In order to test the recoverability of goodwill, it was allocated to the following cash-generating units:

- Provident and pension funds - management of provident funds for retirement benefits, advanced education funds, central benefits severance pay provident fund and management of pension funds.
- Financial services - management of mutual funds, ETFs, stock exchange services, portfolio management, operation and management of employee options, underwriting and alternative investments management.
- Insurance agencies and retirement consulting.
- Credit - clearing and factor of credit vouchers, factoring post-dated checks, financing against real estate properties, loans and credit, equipment financing and supplier financing.

Set forth below is the carrying amount of the goodwill allocated to each of following cash-generating units:

	See below	As of December 31	
		2022	2021
		In NIS thousand	
Provident and pension funds	1	423,772	428,141
Financial services	2	431,173	407,213
Insurance agencies	3	474,848	413,215
Credit	4	269,445	269,445
Total		<u>1,599,238</u>	<u>1,518,014</u>

1. Provident and pension funds

In order to test the recoverability of goodwill, the recoverable amount of the cash-generating unit to which the goodwill was allocated was compared to its carrying amount. To the extent that the recoverable amount of the cash-generating unit exceeds its carrying amount, value of the unit and the assets allocated to it shall not be considered to have been impaired.

The recoverable amount of the pension and provident funds cash-generating unit is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

The appraisal of the pension and provident funds cash-generating unit based on value in use. The value in use was calculated using the representative projected EV/EBITDA multiple method, which is an approximation of the discounted cash flow method; the value in use of the pension funds management activity was not calculated using this method; rather, it was calculated using the discounted cash flow method over a forecast period of the next 15 years, and estimating the exit value and discounting them by a discount rate that reflects the risk inherent in the Company's activity.

For the purpose of estimating the value in use of the provident funds management activity, a post-tax EV/EBITDA multiple of 9.5-10.5 was assumed, which reflects discount rates of 11.5%-12.5% after tax and a long-term growth rate of 1.5%-2.5%; the rate of management fees that was assumed is 0.56%-0.58%.

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

(cont.)

1. Provident and pension funds (cont.)

Set forth below is an analysis of the sensitivity of the average enterprise value to changes in the amount of the assets under management in the provident funds activity and to the average multiple:

Assets under management by provident funds					
NIS million					
<u>Multiple</u>	64,968	65,468	65,968	66,468	66,968
9.0	731	748	765	781	798
9.5	771	789	807	825	843
10.0	812	831	850	868	887
10.5	853	872	892	912	931
11.0	893	914	934	955	976

For the purpose of estimating the value in use of the pension funds management activity a post-tax cost of capital of approximately 10.5%-11.5% was assumed. The long-term growth rate of approximately 1.5%-2.5%. The long-term rate of management fees assumed out of total contributions into the comprehensive fund is approximately 1.5%; and the long-term weighted rate of management fees assumed out of the total amount of accrual is 0.17% of total assets.

Set forth below is a sensitivity analysis of the enterprise value of the new pension funds, including the old fund, to changes in the long-term discount rate and growth rate:

The discount rate				
NIS million				
Growth rate	10%	10.5%	11%	11.5%
1.0%	977	886	805	733
1.5%	1,017	919	833	757
2.0%	1,061	956	865	784
2.5%	1,112	998	900	813
3.0%	1,170	1,046	939	846

In 2022 and 2021, the recoverable amount of the provident and pension funds cash-generating unit is higher than its carrying amount.

2. Financial services

The appraisal in the financial services cash-generating unit includes the results of The Phoenix Investment House (formerly Excellence Investments). For the purpose of estimating the fair value of the financial services activity, each activity included in this cash-generating unit was assessed separately, mainly by using the multiple method. The EV/EBITDA multiple is in the range of 9 to 10 depending on the type of the activity, which reflects a post-tax discount rate of 13%-14%, and a growth rate of 1.5%-2.5%. The average rate of management fees assumed for the activity of the active funds is 0.62%-0.65%; the average rate of management fees assumed for the activity of the passive funds is 0.39%-0.42%.

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

(cont.)

2. Financial services (cont.)

The recoverable amount of the financial services units relating to The Phoenix Investment House was determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

Set forth below is an analysis of the sensitivity of the enterprise value of the funds (including the value of the tax shield in respect of carry forward losses) to the average amount of assets under management in both scenarios:

	Sensitivity of analysis to average amount of assets under management				
	NIS million				
Multiplier	53,293	53,418	53,218	53,018	52,818
7.5	496	492	487	483	478
8.0	526	521	516	511	506
8.5	555	549	544	539	534
9.5	613	607	601	595	590
10.0	642	636	630	624	617

In 2022 and 2021, the recoverable amount of the provident and pension funds cash-generating unit is higher than its carrying amount.

3. Insurance agencies and pension advice

The recoverable amount of the goodwill in respect of insurance agencies and pension advice cash-generating unit is determined based on individual appraisals of the various agencies and in accordance with the projected cash flow method. The recoverability of goodwill is tested at individual agency level. The recoverability testing showed that the recoverable amount of the goodwill of each of the agencies exceeds its carrying amount. The key appraisals were conducted by Fair Value Ltd.

4. Credit

The credit activity includes Gama. Gama is a credit aggregator providing financing against post-dated checks (factoring), clearing, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing.

The appraisal of the value in use of the credit activity was conducted using the Discounted Cash Flow method (DCF), based on assumptions regarding the development of the volume of the activity and the margins in the different areas of activity. For the purpose of the appraisal, a post-tax discount rate of 12% and a growth rate of 1.5% were assumed. The rates of financial margins assumed in respect of the key areas of activity are 2.35%-6%.

NOTE 5 - INTANGIBLE ASSETS (cont.)

B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

(cont.)

4. Credit (cont.)

The recoverable amount of the credit units is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd.

Set forth below is an analysis of the sensitivity of the average enterprise value to changes in the amount of the assets under management in the two scenarios:

	Long-term growth rate				
	NIS million				
Post-tax discount rate	2.5%	2.0%	1.5%	1.0%	0.5%
11.0%	1,244,004	1,192,080	1,145,614	1,103,789	1,065,941
11.5%	1,174,734	1,129,036	1,087,901	1,050,678	1,016,833
12.0%	1,112,785	1,072,327	1,035,715	1,002,427	972,027
12.5%	1,057,059	1,021,047	988,303	958,401	930,986
13.0%	1,006,664	974,454	945,040	918,072	893,257

In 2022 and 2021, the recoverable amount of the credit cash-generating unit is higher than its carrying amount.

- C. In 2022, consolidated companies acquired activities of agencies providing pension insurance services, for a total consideration of approximately NIS 16 million, and investment management activities for a total consideration of approximately NIS 5 million.

D. Companies consolidated for the first time

For information regarding companies consolidated for the first time. see Note 4 regarding business combinations.

E. Sale of self-managed provident funds (IRA)

In September 2021 The Phoenix Pension and Provident signed an agreement for the sale of IRA funds to Global Net Provident Fund Management (G.N.P.F.M) Ltd., subject to the fulfillment of conditions precedent and after obtaining all of the required regulatory approvals. The sale was completed on May 1, 2022. Total assets under management in the IRA funds that were sold to Global Net amount to NIS 2.3 billion. As a result of the sale, the Company recognized in the reporting period a pre-tax profit of NIS 14 million.

NOTE 6 - DEFERRED ACQUISITION COSTS

A. Composition:

	December 31	
	2022	2021
	In NIS thousand	
Life insurance and savings	787,652	785,802
Pension and provident funds	901,421	541,050
Health insurance	443,237	409,979
P&C insurance (see Note 19)	321,073	273,817
	<u>2,453,383</u>	<u>2,010,648</u>

B. Change in deferred acquisition costs in life insurance, pension and provident funds, and health insurance:

	Life insurance and savings (*)	Pension and provident funds	Health	Total
	In NIS thousand			
Balance as of January 1, 2021	751,191	343,641	377,758	1,472,590
Additions:				
Purchase fees	92,683	243,941	101,212	437,836
Commencement of consolidation	-	19,047	-	19,047
Other purchase expenses	<u>128,217</u>	<u>19,584</u>	<u>107,709</u>	<u>255,510</u>
Total additions	220,900	282,572	208,921	712,393
Current amortization	(86,021)	(85,163)	(114,865)	(286,049)
Deduction for cancellations	<u>(100,268)</u>	<u>-</u>	<u>(61,835)</u>	<u>(162,103)</u>
Balance as of December 31, 2021	785,802	541,050	409,979	1,736,831
Additions:				
Purchase fees	111,913	466,806	98,823	677,542
Other purchase expenses	<u>134,097</u>	<u>18,634</u>	<u>131,228</u>	<u>283,959</u>
Total additions	246,010	485,440	230,051	961,501
Current amortization	(94,398)	(125,069)	(127,019)	(346,486)
Deduction for cancellations	<u>(149,762)</u>	<u>-</u>	<u>(69,774)</u>	<u>(219,536)</u>
Balance as of December 31, 2022	<u>787,652</u>	<u>901,421</u>	<u>443,237</u>	<u>2,132,310</u>

(*) The amount of deferred acquisition expenses in respect of investment contract as of December 31, 2022, and December 31, 2021 is NIS 97,850 thousand and NIS 57,646 thousand, respectively. The balance as of December 31, 2022 and December 31, 2021 includes a deduction of intra-group deferred acquisition costs in the amount of NIS 105,582 thousand and NIS 77,042 thousand, respectively.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

A. Composition and changes:

2022

	Land and buildings (b)	Computers	Vehicles	Office furniture	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
In NIS thousand									
<u>Cost</u>									
Balance as of January 1, 2022	584,562	447,436	1,856	178,522	68,861	74,525	193,126	31,321	1,580,209
First-time consolidation	-	2,902	297	3,314	5,107	-	367	112	12,099
Additions during the year	105,365	76,858	639	4,443	2,830	-	22,402	29,917	242,454
Revaluation recognized in other comprehensive income (see B.2 below)	112,702	-	-	-	-	-	-	-	112,702
Transfer from investment property	12,500	-	-	-	-	-	-	-	12,500
Derecognitions during the year	-	(2,284)	(775)	(3,253)	(3,381)	-	(11,781)	(10,499)	(31,973)
Balance as of December 31, 2022	815,129	524,912	2,017	183,026	73,417	74,525	204,114	50,851	1,927,991
<u>Accumulated depreciation</u>									
Balance as of January 1, 2022	-	364,617	1,225	144,229	44,517	-	84,871	22,391	661,850
First-time consolidation	-	2,535	232	3,159	4,817	-	367	112	11,222
Additions during the year	11,466	42,878	169	4,792	6,609	-	30,005	20,230	116,149
Revaluation recognized in other comprehensive income (see B.2 below)	(11,466)	-	-	-	-	-	-	-	(11,466)
Derecognitions during the year	-	(2,252)	(482)	(3,251)	(3,364)	-	2,035	(10,013)	(17,327)
Balance as of December 31, 2022	-	407,778	1,144	148,929	52,579	-	117,278	32,720	760,428
Balance of amortized cost	815,129	117,134	873	34,097	20,838	74,525	86,836	18,131	1,167,563
Provision for impairment	-	-	-	-	-	(16,120)	-	-	(16,120)
Balance as of December 31, 2022	815,129	117,134	873	34,097	20,838	58,405	86,836	18,131	1,151,443

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)**A. Composition and changes (cont.):****2021**

	Land and buildings (b)	Computers	Vehicles	Office furniture	Leasehold improvements	Works of art	Right of use assets for buildings	Right of use assets for vehicles	Total
	In NIS thousand								
<u>Cost</u>									
Balance as of January 1, 2021	569,597	395,287	1,800	214,563	53,255	74,379	135,119	27,585	1,471,585
Additions during the year	23,029	39,355	-	13,281	2,579	146	22,979	8,262	109,631
Revaluation recognized in other comprehensive income (see B.2 below)	27,009	-	-	-	-	-	-	-	27,009
First-time consolidation (deconsolidation)	(73,566)	17,114	56	(48,204)	13,715	-	37,842	7,290	(45,753)
Transfer from investment property	38,493	-	-	-	-	-	-	-	38,493
Derecognitions during the year	-	(4,320)	-	(1,118)	(688)	-	(2,814)	(11,816)	(20,756)
Balance as of December 31, 2021	584,562	447,436	1,856	178,522	68,861	74,525	193,126	31,321	1,580,209
<u>Accumulated depreciation</u>									
Balance as of January 1, 2021	6,825	323,987	981	169,587	32,671	-	46,536	14,995	595,582
Additions during the year	4,203	30,887	188	10,221	4,044	-	34,036	15,241	98,820
First-time consolidation (deconsolidation)	(8,695)	13,914	56	(34,503)	8,480	-	7,314	2,943	(10,491)
Revaluation recognized in other comprehensive income (see B.2 below)	(2,333)	-	-	-	-	-	-	-	(2,333)
Derecognitions during the year	-	(4,171)	-	(1,076)	(678)	-	(3,015)	(10,788)	(19,728)
Balance as of December 31, 2021	-	364,617	1,225	144,229	44,517	-	84,871	22,391	661,850
Balance of amortized cost	584,562	82,819	631	34,293	24,344	74,525	108,255	8,930	918,359
Provision for impairment	-	-	-	-	-	(16,120)	-	-	(16,120)
Balance as of December 31, 2021	584,562	82,819	631	34,293	24,344	58,405	108,255	8,930	902,239

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

B. Land and buildings:

1. The Company and Hadar Green Company Properties and Investments Ltd. - A company wholly owned by the Company (hereinafter - "Hadar Green") are the owners and hold the rights to be registered as owners of 22 floors of offices, warehouses, parking lots and ancillary areas in an office and commercial high-rise building located in plot 923, block 6154 in Givatayim (hereinafter - "Beit Havered"). The sellers, in whose name the plot is registered with the Real Estate Registration Bureau in Tel Aviv-Yafo, undertook to register the plot in the name of the Company within 36 months of handing over the property to the Company. The completion of the registration was delayed for reasons involving the sellers. The parties are collaborating to complete the registration.

On December 17, 2019, The Phoenix Insurance Company Ltd. won a tender that relates to an area measuring about 15 acres located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban building plan amount to a total of about 355 thousand square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. In 2022, approx. NIS 105 million were invested in the building of the complex; for further details, please see Note 43(C)(4).

2. Revaluation of land and buildings:

- (A) As of December 31, 2015, the Company measures land and buildings using a revaluation model.
- (B) The revaluation of the land and buildings in respect of Beit Havered (which constitutes the bulk of the land and buildings), was carried out by the firm of Adi Naor - Real Estate Appraisal & Management, who is an independent certified appraiser. The fair value was determined using market-based evidence, in December 2022.
- (C) The revaluation of the land in respect of the Elef Complex was conducted by the firm Haushner Malul, which is a qualified and independent appraiser. The fair value was determined using market-based evidence, in December 2022.
- (D) Due to the use of the revaluation model, a revaluation reserve has been created with a balance as of December 31, 2022, of approximately NIS 224 million, net of tax (December 31, 2021 - NIS 131 million).
- (E) The fair value of the land and buildings was determined using the income capitalization approach (in relation to rental income data) and the comparison approach for similar properties. The valuation performed by the appraiser is based on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.
- (F) The fair value of the land in respect of the Elef Complex was determined in accordance with the comparison method, which is based on a survey of prices of assets with similar characteristics, including the transaction involving the plot, which is the subject matter of the valuation.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

B. Land and buildings (cont.):

2. Revaluation of land and buildings (cont.):

- (G) A 0.5% decrease in the discount rate will result in a NIS 20 million increase. A 0.5% increase in the discount rate will result in a NIS 20 million decrease. The sensitivity analysis refers only to Beit Havered, since in the Elef Complex the appraisal was carried out using the comparison approach, and therefore the discount rate is irrelevant.
- (H) Land and buildings are measured at fair value and are classified to Level 3 of the fair value hierarchy.
- (I) Had the land and buildings been measured using the cost model, their value in the financial statements would have been as follows:

	As of December 31	
	2022	2021
	In NIS thousand	
Cost	611,473	575,319
Accumulated depreciation	(135,820)	(124,864)
Deconsolidation	-	(64,870)
Total	<u>475,653</u>	<u>385,585</u>

NOTE 8 - INVESTMENT IN INVESTEEES

A. Equity-accounted investees

1. Details regarding equity-accounted investees:

	Please see Section D below	Loans and capital notes	Total investment	Total
In NIS thousand				
<u>December 31, 2022</u>				
Ad 120 Residence Centers for Senior Citizens Ltd.	1	-	722,027	722,027
El Al Matmid Frequent Flyer Ltd.	2	-	160,477	160,477
Investment property	3	-	417,377	417,377
Other		34,422	259,434	293,856
		<u>34,422</u>	<u>1,559,315</u>	<u>1,593,737</u>
<u>December 31, 2021</u>				
Ad 120 Residence Centers for Senior Citizens Ltd.	1	24,532	713,016	737,548
Haphen-Tao Holdings Limited Partnership Ltd.	4	-	99,431	99,431
Investment property	3	-	325,894	325,894
Other		58,774	124,736	183,510
		<u>83,306</u>	<u>1,263,077</u>	<u>1,346,383</u>

For further details regarding the ownership stake, please see Section C below.

2. Composition of investments:

	As of December 31	
	2022	2021
In NIS thousand		
Shares	1,569,177	1,272,939
Loans	34,422	83,306
	<u>1,603,599</u>	<u>1,356,245</u>
Less - provision for impairment	(9,862)	(9,862)
	<u>1,593,737</u>	<u>1,346,383</u>
Goodwill from investment	<u>242,012</u>	<u>184,316</u>

3. The Group's share in the results of operations of the equity-accounted investees according to the holding stake therein during the period:

	For the year ended December 31		
	2022	2021	2020
In NIS thousand			
Revenues	334,812	282,223 (*)	387,101
Profit for the year	61,548	111,504	39,697
Other comprehensive income (loss) for the year	27,511	(15,129)	(3,412)
(*) Reclassified			

NOTE 8 - INVESTMENT IN INVESTEEES (cont.)

B. Consolidated companies held directly by the Company

Composition of investment:

	See Section	Loans and capital notes provided by the Company to consolidated companies	Total investment in investees
In NIS thousand			
2022			
The Phoenix Insurance		-	6,700,445
The Phoenix Investments	E1	440,676(*)	1,464,242
The Phoenix Pension and Provident Fund	E2	312,703	904,390
The Phoenix Agencies	E3	-	759,528
Other	D	5,629	13,855
		<u>759,008</u>	<u>9,842,460</u>
2021			
The Phoenix Insurance		-	6,661,645
The Phoenix Investments	E1	395,681	1,219,607
The Phoenix Pension and Provident Fund	E2	299,519	593,555
The Phoenix Agencies	E3	-	605,722
The Phoenix Advanced Investments (formerly Halman Aldubi)	E4	5,098	273,797
Other		1,441	(526)
		<u>701,739</u>	<u>9,353,800</u>

(*) In addition, the Company advanced a NIS 60 million loan to The Phoenix Investment House; for more information, see Section 8E below.

NOTE 8 - INVESTMENT IN INVESTEEES (cont.)

C. Breakdown of holdings in main investees

			As of December 31	
			2022	2021
			Shares conferring voting rights and rights to profits	Shares conferring voting rights and rights to profits
	See Section below	Country of incorporation	Rate of ownership in %	
<u>The Company's investees</u>				
The Phoenix Insurance Company		Israel	100	100
The Phoenix Investments and Finances	E1	Israel	100	100
The Phoenix Agencies	E3	Israel	100	100
The Phoenix Pension and Provident Fund	E2	Israel	100	84
The Phoenix Advanced Investments	E4	Israel	-	100
<u>The Phoenix Insurance's investees</u>				
The Phoenix Capital Raising	E5	Israel	100	100
Ad 120 Residence Centers for Senior Citizens Ltd.	D1	Israel	47	47
Haphen-Tao Holdings	D4	Israel	29	29
The Phoenix Mortgages (Gold)	10E	Israel	51	51
Phoeniclass Ltd. (**)	D5	Israel	49	-
<u>Investees of The Phoenix Advanced Investments</u>				
The Phoenix Pension and Provident Fund	E2	Israel	-	16
<u>The Phoenix Investments' investees</u>				
The Phoenix Investment House (formerly Excellence Investments)	E6-8	Israel	100	100
Gama Management and Clearing	E9	Israel	60	60
Phoeniclass Ltd. (**)	D5	Israel	18	67
The Phoenix Advanced Investments	E4	Israel	100	-
<u>Investees of The Phoenix Advanced Investments</u>				
The Phoenix Capital (***)		Israel	65	65
<u>Major investees of The Phoenix Insurance Agencies</u>				
NIS		Israel	100	100
Agam Holdings (*)	E3	Israel	60	60
Agam Leaderim (*)	E3	Israel	25	25
Oren Mizrach		Israel	70	70

(*) Agam Leaderim is held - 75% - by Agam Holdings, such that the effective ownership interest of The Phoenix Agencies in Agam Holdings is approximately 70%. For information regarding restructuring in Agam Holdings, see Section E3 below.

(**) The Phoenix Insurance and The Phoenix Investments hold jointly shares conferring rights to profits in Phoeniclass at the rate of 75%.

(***) The Phoenix Investments has a right to profits in accordance with a mechanism that is dependent on the profits achieved in that year within a range of 60% to 65%.

NOTE 8 - INVESTMENT IN INVESTEEES (cont.)

D. Additional information regarding equity-accounted investees

1. Sale of control in Ad 120

In October 2021, the transaction to sell control of Ad 120 - which was wholly-owned (directly and indirectly) by The Phoenix Insurance - to Shapir Engineering and Industry Ltd. (hereinafter - "Shapir") was completed, such that subsequent to the completion of the transaction, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) share capital of Ad 120. As a result of the above, the Company recognized a NIS 340 million pre-tax gain in 2021. The investment in Ad 120 is presented under the investment in associates.

2. El Al Matmid Frequent Flyer Ltd.

On June 23, 2022, a binding agreement was signed for extending a USD 130 million loan by The Phoenix Insurance to El Al Frequent Flyer Ltd. (hereinafter - the "Borrower") through the nostro funds. The loan shall be advanced for a period ending June 30, 2028 (hereinafter - the "Loan Term").

Under the agreement, The Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. As a result of the above, in 2022, The Phoenix Insurance revalued the option and recognized a one-off earning of approx. NIS 70 million. On September 13, 2022, The Phoenix Insurance announced partial exercise of the option at a rate of 19.9% of the Borrower's shares in consideration for an exercise price of USD 14 million, such that subsequent to the exercise of the option the balance of the investment is NIS 160 million. The remaining balance of the loan, including the un-exercised option, are presented under the financial investments line item. For further details, please see the Bank's immediate report dated September 13, 2022 (Ref. No.: 2022-01-094686).

3. Real estate investments

The Company's investments in real estate properties are usually made through investees that invest directly in the properties. The Company holds several such investees that invest in real estate properties in Israel, the United States and Europe. The real estate properties are diverse and include office buildings, commercial centers, residential areas and land for construction. During 2022, the Company invested NIS 38 million in investees holding mostly real estate properties.

4. Haphen-Tao Holdings

The Phoenix Insurance and The Phoenix Investments hold 50% of the interests in Haphen-Tao Holdings Limited Partnership (hereinafter - the "Partnership"). Through July 3, 2022, the Partnership held 50% of the rights and liabilities in the "Mall Hayam" shopping center in Eilat, such that, effectively, The Phoenix Insurance held 25% of the mall.

On October 3, 2021, the Partnership and the other owners signed an agreement for the sale of the entire rights in the shopping center to the Azrieli Group in consideration for NIS 1.31 billion (100%). The transaction was completed on July 3, 2022, after obtaining the approval of the Israel Competition Authority.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

D. Additional information regarding equity-accounted investees (cont.)

5. Transfer of Phoeniclass from The Phoenix Investments to The Phoenix Insurance

Further to what is stated in Note 1G to the Consolidated Annual Financial Statements as at 2021, regarding the transfer of 49% of the issued and paid up share capital of Phoeniclass from The Phoenix Insurance to The Phoenix Insurance, on March 31, 2022, the said transfer of shares was completed upon receipt of the approval of the Israel Tax Authority, which was a condition precedent for the completion of the transaction. As part of the completion of the transfer of Phoeniclass' shares to the Company, and in accordance with the Circular on Allocation on Non-Marketable Assets applicable to the Company, the latter carried out a valuation of Phoeniclass' shares through an external independent appraiser. In accordance with the valuation, during the first quarter of 2022, the Company recognized a one-off pre-tax earning of NIS 99 million from revaluation of excess fair value of the investment against LAT in the health insurance segment. For more details regarding the effect of the reclassification of excess value illiquid assets from the health insurance segment and equity to the P&C insurance segment, see Note 40, Risk Management.

6. On June 9, 2022, the Company (through The Phoenix Investments) entered into an agreement with three partners, Mr. Eyal Greenbaum, Mr. Ehud Toibin, and Mr. Yoav Fogel (all of whom have background and experience in the field of underwriting) for the establishment of a new underwriting company (hereinafter - the "Underwriting Company"). In accordance with the terms of the agreement, the Company will hold (indirectly) 19.99% of the new Underwriting Company's issued and paid-up share capital and voting rights, and the remaining rights shall be held by the above-mentioned partners. The transaction is subject to conditions precedent, including the fulfillment of the requirements and conditions for obtaining an underwriter license and registering with the underwriters registry of the Israel Securities Authority in accordance with the Securities Regulations (Underwriting), 2007 (hereinafter - the "Underwriting Regulations").

The Company activated its means of control in order to discontinue the function of Excellence Nessuah Underwriting (1993) Ltd. (hereinafter - Excellence Nessuah) as an active underwriter, as this term is defined in the Underwriting Regulations, such that as of December 29, 2022, Excellence Nessuah ceased from serving as an active underwriter. As of the report date, the conditions precedent were fulfilled, and the transaction was completed.

7. In September 2022, The Phoenix Oren Investments Ltd. - a subsidiary controlled by the Company, and established for the purpose of this venture - entered into an agreement with Mr. Uri Omid (hereinafter - the "Entrepreneur"), for investment in a new company - Positive Horizon OTA Ltd. (hereinafter - "Horizon") - which is controlled by the Entrepreneur, and which is expected to engage in property and casualty insurance, subject to receipt of an insurer license in accordance with the Financial Services Supervision Law (Insurance), 1981. The Company holds 28% of Horizon's shares (indirectly). For further details, please see the Bank's immediate report dated September 18, 2022 (Ref. No.: 2022-01-118753).

8. Held-for-sale asset - Ramon Granit

An agreement for the sale all of The Phoenix Agencies' shares in Ramon Granit in consideration for NIS 18 million was signed in November 2022; consequently, the Company recognized a capital loss of NIS 5 million.

The transaction was completed in February 2023; in view of the above, the Company presents the investment as held-for-sale.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

E. Additional information regarding investees and consolidated companies

1. Issuance and repayment of capital notes - The Phoenix Investments

On September 15, 2022, the Company and The Phoenix Investment House signed a loan agreement, under which the Company advanced a NIS 60 million loan, against the expansion of the Company's Series 4 bonds.

The loan shall bear annual interest at a rate equal to the Bank of Israel's interest plus 1.476%; it is expected to be repaid in four annual equal payments starting on July 31, 2025, and through July 31, 2028. The terms of the bonds are identical to the terms of the loan. This loan was used by The Phoenix Investment House to acquire Epsilon Investment House; for more information, see Section 8E below.

On July 11, 2022, The Phoenix Investments issued a NIS 45 million capital note to the Company. The capital note is not linked to the CPI, does not bear interest, and has no fixed repayment date. In any event, the capital note will not be repaid before five years have elapsed from its issuance date.

2. Loans to The Phoenix Pension and Provident

On January 27, 2021, the Company's Board of Directors approved a credit facility agreement for subsidiary The Phoenix Pension and Provident. The credit facility will be used by The Phoenix Pension and Provident according to its needs, for a total of up to NIS 100 million for a period of two years. The credit terms and conditions shall be identical, back to back, in respect of Series 5 Bonds issued by the Company. As of September 19, 2021, the credit facility was fully utilized. The principal will be repaid by six variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, and the fourth payment repaying 28% of the principal. The fifth and sixth payment will repay 30% of the principal. Interest on the outstanding balance of the credit amounts to be granted, from time to time, shall be paid in semi-annual installments on May 1 of each of the years 2021 to 2030 (inclusive), and on November 1 of each of the years 2020 to 2029 (inclusive).

In September 2021, the Company's Board of Directors approved an additional loan in the amount of NIS 105 million; the loan principal will bear an annual interest rate at the higher of the following: (1) the interest rate will be according to the provisions of Section 3(J) to the Income Tax Ordinance (New Version), 1961; or (2) if subsequent to the loan date, the Company will issue bonds - in accordance with the nominal interest rate. Repayment of the loan, including the accrued interest, will be no later than September 19, 2030.

On January 9, 2022, the Company issued NIS 300 million p.v. in Bonds (Series 6). The bonds carry a fixed annual interest of 1.94%. In December 2021, the Board of Directors of The Phoenix Pension and Provident decided to adjusted the terms of the loans to those of the Bonds (Series 6). For information regarding the terms of the bonds - see Note 27E.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

E. Additional information regarding investees and consolidated companies (cont.)

3. Restructuring - The Phoenix Agencies

In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim, a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 79.412% of the shares of The Phoenix Agencies, instead of the 100% it held prior to the transaction date, Hagoz (2015) Ltd. (hereinafter - "Hagoz"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "Y.H.G Sasson"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim, which runs the agency's pension and provident activity.

The completion of the merger is subject to the fulfillment of all conditions precedent, including the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance, other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. As of the report publication date, the above-mentioned approvals have not been obtained.

Furthermore, an agreement in principle was signed in connection with the merger, between the Company, The Phoenix Agencies, and the other shareholders in The Phoenix Agencies subsequent to the merger (Hagoz and Y.H.G Sasson), Mr. Yitzhak Oz and Mr. Moshe. The agreement regulates the following matters:

- A. Mr. Yitzhak Oz will be appointed Active Chairman of The Phoenix Agencies, Agam Leaderim and Shekel, and an agreement for the provision of management services to The Phoenix Agencies and other companies in The Phoenix Agencies group will be signed with him, under compensation terms in line with the existing management agreement with Agam Leaderim.
- B. The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares of Agam Holdings, will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal.

The period during which the put option may be exercised is January 1, 2027, through January 3, 2028.

The period during which the call option may be exercised is January 4, 2028 through January 4, 2029.

The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

E. Additional information regarding investees and consolidated companies (cont.)

3. Restructuring - The Phoenix Agencies (cont.)

B. (cont.)

Other matters that will be regulated by the new Options Agreement are: (1) The value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (earnings before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various revenues and expenses agreed between the parties; (2) in the event of the issuance of The Phoenix Agencies' shares to the public, the call and put options will be canceled (Hagoz will be allowed to exercise part or all of the put option before such issuance).

- C. The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix Group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

It should be noted that the above reflects principles that were approved; however, a full agreement has not yet been signed by the parties.

4. Restructuring - The Phoenix Advanced Investments

In January 2022, the board of directors of The Phoenix Advanced Investments authorized a restructuring of the companies it controls and the distribution of the following companies that it holds to the Company, as a dividend in kind: Halman-Aldubi Pension Insurance Agency (2005) Ltd., Quality Pension Insurance Agency (2017) Ltd., and 16% of the shares it holds in The Phoenix Pension and Provident. It should be noted that the decision by The Phoenix Advanced Investments' Board of Directors is subject to the Court's approval since it does not meet the profit criteria. During the second quarter of 2022, the Court approved the distribution, and the Israel Tax Authority approved the restructuring.

Furthermore, The Phoenix Advanced Investments' Board of Directors approved the sale of Halman-Aldubi IEC Gemel Ltd. to the Company; this sale was completed in March 2022.

At the same time, the Company authorized the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments, and The Phoenix Investments authorized the transfer of its holdings in the alternative funds it holds to The Phoenix Advanced Investments. Subsequent to the execution of the restructuring as stated above, the alternative investment activities are managed in their entirety under The Phoenix Advanced Investments.

5. The Phoenix Capital Raising

During 2009, The Phoenix Insurance established The Phoenix Capital Raising. The only area of activity of The Phoenix Capital Raising is raising funds in Israel for The Phoenix Insurance, through (public and private) offerings of promissory notes and/or bonds and/or promissory notes, the proceeds of which are deposited with The Phoenix Insurance, for its use, at its discretion and at its responsibility.

NOTE 8 - INVESTMENT IN INVESTEEES (cont.)

E. Additional information regarding investees and consolidated companies (cont.)

5. The Phoenix Capital Raising (cont.)

Capital raising is affected by The Phoenix Insurance's capital needs. The terms and conditions of the issued bonds are affected by the state of the capital market and the level of demand and supply of liquid bonds in Israel. The Phoenix Capital Raising deposits the proceeds of the offerings in deferred deposits with The Phoenix Insurance on the same terms and conditions as those of the bonds issued to the public.

6. The Phoenix Investment House (formerly Excellence Investments)

The Phoenix Investment House holds approximately 84% of the shares of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings"), and 16% of the shares of KSM are held by three partners (hereinafter - the "Minority Shareholders in KSM Holdings"), of which approximately 9.55% of the shares are held by Avner Hadad and Boaz Nagar, pari passu (hereinafter - the "Managers"). In May 2022, the parties signed binding agreements, and an application for a statutory merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House.

Following the merger and further actions, the Company will hold, through The Phoenix Investments, 88.44% of the shares of The Phoenix Investment House and the minority shareholders in KSM Holdings will hold approximately 11.56% of the shares of The Phoenix Investment House, of which the share of Avner Hadad and Boaz Nagar will be 7.5%, each according to his share. Furthermore, options arrangements were established to execute transactions, from 2016 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in The Phoenix Investment House at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. In accordance with the signed agreements, The Phoenix Investment House intends to focus on the management of The Phoenix Investment House's core businesses, which include the activity of KSM Mutual Funds, TASE Member, portfolio management and ESOP. Other activities were transferred from The Phoenix Investment House to other Group companies. In January 2023, all of the required approvals were obtained and the merger was completed.

7. Acquisition of the portfolio management activity and mutual funds from Psagot

In January 2023, The Phoenix Investment House entered into two separate and (non-contingent) agreements with companies of the Psagot Investment House group, as follows:

- A. Acquisition of the entire portfolio management activity of the Psagot Investment House with assets under management of approx. NIS 8.1 billion (hereinafter - the "Portfolios Acquisition Agreement"), in consideration for approx. NIS 50 million. The Portfolios Acquisition Agreement stipulates that the direct employees of the portfolio management activity will be transferred; the agreement also includes a non-competition clause as is generally accepted in transactions of this type. The Portfolio Acquisition Agreement will only be completed after all approvals required by law are obtained.
- B. Acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling NIS 17.1 billion, and in consideration for NIS 260 million (hereinafter - the "Funds Acquisition Agreement"). Under the Funds Acquisition Agreement, subsequent to the sale each of the parties will be allowed to continue its activities in the funds market without any restrictions, and Psagot will not be precluded from managing funds that compete with the Sold Funds.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

E. Additional information regarding investees and consolidated companies (cont.)

7. Acquisition of the portfolio management activity and mutual funds from Psagot (cont.)

Out of the consideration paid for the acquisition, the Company advanced a NIS 149 million loan to The Phoenix Investment House for the acquisition of the portfolio management activity and the mutual funds from Psagot. This loan was advanced against the expansion of the Company's Series 6 bonds.

On March 9, 2023, the Company received the Competition Commissioner's approval for the sale of the portfolio management activity. (See immediate report dated March 12, 2023. Ref. No. 2023-01-021355).

As of the publication date of the report, the Competition Authority announced that it intends to assess the implications of the mutual funds acquisition transaction on the competition in the sector, and therefore, it is not certain that the transaction will be completed in accordance with the set outline.

8. Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolio Management Ltd. The proceeds of the transaction amount to NIS 45 million plus an amount equal to Epsilon's liquid capital (as this term was defined in the agreement), net of dividends to be distributed after the calculation date of the liquid capital and through the completion date. The transaction was completed on February 13, 2023.

The Phoenix Investment House intends to take steps to merge Epsilon into The Phoenix Investment House, and to merge Epsilon Funds into the fund manager; the activity of Epsilon Portfolio will continue to be conducted independently under the management of the Sellers for a period of 5 years.

Out of the consideration paid for the acquisition, the Company advanced a NIS 60 million loan to The Phoenix Investment House by way of expanding the lender's Series 4 bonds; for information regarding the terms of the bonds - see Note 27E.

9. Gama Management and Clearing

Gama is engaged in financing, factoring, clearing and management of credit card transactions, providing various types of credit, factoring receivables and check clearing services. Gama's main activity is the provision of credit card factoring services. The factoring services involve bringing forward the payment to businesses against the businesses' assigning the credit card transactions to the factoring company. Among other things, this service allows businesses - Gama customers - to enter into sale transactions with their own customers allowing those customers to pay the transaction proceeds in installments; Gama brings forward the payment of the entire transaction consideration for its customers. The company is examining the possibility of expanding its activity to related areas.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

E. Additional information regarding investees and consolidated companies (cont.)

9. Gama Management and Clearing (cont.)

In June 2021, Gama completed an IPO on the TASE; concurrently with the IPO, The Phoenix Investments purchased further shares, such that subsequent to the acquisition The Phoenix Investments holds 60% of Gama's shares. In 2021, as a result of assuming control, the Company recognized a NIS 220 million gain, which is presented under "other income" in the credit segment. On June 26, 2022, Gama offered, through a shelf offering report, 13,107,120 ordinary shares of the Company NIS 0.01 par value each to shareholders of Gama, who held the securities conferring the rights on July 3, 2022, through 2,621,424 right units. The shares were issued by way of issuance of rights, such that each holders of 21 securities that confer rights on July 3, 2022, was entitled to acquire one right unit comprised of 5 ordinary shares of the Company at a price of NIS 45.8 per unit (NIS 9.16 per one share). Through the rights exercise deadline - July 18, 2022 - the Company received announcements regarding the exercise of 2,609,152 units for the acquisition of 13,045,759 ordinary shares of the company, which constitute approx. 99.5% of the total shares offered in the shelf offering report. In consideration for the exercise of the above right units as stated above, Gama received a total of NIS 119.5 million. The entire issuance proceeds will be used to develop the company's businesses and fund its operating activities. The Phoenix Investments exercised all of its share purchase rights in accordance with the shelf offering report. As of the date of this report, The Phoenix Investments holds approx. 61%.

10. The Phoenix Mortgages (Gold) Ltd.

The Phoenix Insurance has a 51% stake in The Phoenix Mortgages (Gold) Ltd. (hereinafter - "The Phoenix Mortgages"), whose activity focuses on granting loans to people over 60 against a first lien on their apartment. Furthermore, in the reporting year, The Capital Market, Insurance and Savings Authority awarded The Phoenix Mortgages a permit to give any type of mortgage.

11. Transfer of the construction projects' financing activity to a separate company wholly-owned by The Phoenix Insurance

As from January 1, 2023, the construction projects' financing activity, which is funded solely by nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Finance Ltd. (hereinafter - the "Phoenix Construction Financing"). In this framework, the NIS 2.1 billion credit portfolio was transferred from The Phoenix Insurance to the Phoenix Construction Financing. The transfer of the credit portfolio will be carried out against an investment in the share capital in the new company (approx. 10%), and against a shareholders' loan. It should be noted that all exposure limits and regulatory provisions shall continue to apply in relation to the Phoenix Construction Financing, and that the Company's policy and procedures, as approved by the organs of The Phoenix Insurance shall continue to apply to the Phoenix Construction Financing, mutatis mutandis.

F. Capital requirements from institutional entities in the Group

It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. The Phoenix Insurance, The Phoenix Investment House group, pension and provident funds management companies and other institutional entities consolidated in the financial statements are subject to capital requirements set by the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner").

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

1. Principles of the Solvency II-based Economic Solvency Regime

The Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with implementation provisions as published in June 2017 and revised in October 2020 (hereinafter - the "Economic Solvency Regime").

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the insurance company's recognized economic equity and the capital required for solvency purposes.

The recognized economic equity is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and Tier 2 capital instrument).

Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.

The solvency capital requirement (SCR) is designed to estimate the economic equity's exposure to a series of scenarios set out in the Economic Solvency Regime provisions, and which reflect insurance risks, market risks and credit risks as well as operational risks.

The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Economic Solvency Regime provisions (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032 (hereinafter - the "Transitional Period"). In addition to a reduced capital requirement, that will increase gradually until 2023, in respect of certain investment types.

In accordance with the provisions of the Economic Solvency Regime, the economic solvency ratio report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

The Phoenix Insurance published its Solvency Ratio Report as of June 30, 2022 along with the publication of the Consolidated Interim Financial Statements as of September 30, 2022.

In accordance with the Solvency Ratio Report as of June 30, 2022 (a calculation which is not audited or reviewed by the independent auditors), The Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the transition provisions.

It should be emphasized that the projections and assumptions on the basis of which the economic solvency ratio report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

For further unaudited and unreviewed information, please see Section 2.1 to the Report of the Board of Directors, and the Economic Solvency Ratio Report as of June 30, 2022, which is attached to The Phoenix Insurance's financial statements as of September 30, 2022.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "Dividend Distribution Letter") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio - according to the provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the transitional provisions and subject to the economic solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

The Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%. In addition, the minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135%. In addition, on August 24, 2022, the Company's Board of Directors increased the minimum economic solvency ratio target by 3 percentage points without taking into account the provisions during the Transitional Period - from a rate of 108% to a rate of 111% beginning on June 30, 2022. This minimum economic solvency ratio target is expected to reach 135% at the end of the transitional period, in accordance with the Company's capital plan.

On October 27, 2020, The Phoenix Insurance's Board of Directors approval of the dividend distribution whereby, as from 2021, The Phoenix Insurance shall distribute an annual dividend at a rate of 30% to 50% of its distributable comprehensive income as per its audited annual consolidated financial statements for the relevant year, so long as The Phoenix Insurance meets the minimum economic solvency ratio targets in accordance with Solvency II, as described above.

On March 28, 2022, The Phoenix Insurance's Board of Directors approved a revision of the dividend distribution policy that will apply to future dividend distributions to be made in connection with The Phoenix Insurance's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but The Phoenix Insurance will take steps to distribute a dividend twice a year:

- Dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year.
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

It is hereby clarified that this policy should not be viewed as an undertaking by The Phoenix Insurance to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors of The Phoenix Insurance may decide on actual distribution at different (higher or lower) rates, or not to distribute any dividend. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants The Phoenix Insurance has undertaken or/ will undertake to comply with, to The Phoenix Insurance's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of The Phoenix Insurance's bonds and/or its cash flows, and to the extent to which The Phoenix Insurance needs cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities.

NOTE 8 - INVESTMENT IN INVESTEES (cont.)

F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

The Board of Directors of The Phoenix Insurance may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to The Phoenix Insurance, to change the dividend distribution policy, including the rate of dividend to be distributed.

On March 28, 2022, The Phoenix Insurance's Board of Directors approved the distribution of a NIS 500 million dividend (this distribution was taken into account in the economic solvency ratio as of December 31, 2021).

On August 24, 2022, The Phoenix Insurance's Board of Directors approved a dividend distribution in the amount of NIS 115 million in respect of the profits accumulated for the six-month period ended June 30, 2022. The dividend was paid in September 2022, and was included in the solvency ratio results as of June 30, 2022.

These dividend distributions, which are described above, were approved after the revision of the Company's capital management plan, and indicated that The Phoenix Insurance meets the minimum capital target set by the Board of Directors as of the distribution dates, net of the transitional provisions, and meet the 150%-170% target range, in which The Phoenix Insurance seeks to be during and after the Transitional Period, given the Deduction During the Transitional Period and its gradual reduction. Therefore, The Phoenix Insurance was in compliance with the requirements of the letter regarding the restrictions on dividend distribution as published by the Commissioner.

The Phoenix Insurance conducted an estimate of its solvency ratio as of September 30, 2022; the estimate was not audited or reviewed by the independent auditor, and is based on the outcomes of a full scale simulation of actuarial calculations, calculation of market risks, credit risks and economic balance sheet as of September 30, 2022. In accordance with the results of this estimate, as of September 30, 2022, and in accordance with the results of the calculation of the solvency ratio as of June 30, 2022 (unaudited and unreviewed by the Company's independent auditor), on March 22, 2023, The Phoenix Insurance's Board of Directors approved the distribution of a NIS 205 million cash dividend out of the Company's 2022 profits.

3. Own Risk and Solvency Assessment of an Insurance Company (ORSA)

On January 5, 2022, the Commissioner published an Amendment to the Provisions of the Consolidated Circular - "Reporting to the Commissioner of Capital Market" - Own Risk and Solvency Assessment of an Insurance Company (ORSA) was published (hereinafter - the "Amendment"); the Amendment stipulates that an insurance company shall report to the Commissioner about Own Risk and Solvency Assessment of an Insurance Company (ORSA) once a year - in January. In accordance with the Amendment, the Company shall provide the Commissioner with a report that will include a summary of its results, status of its business and interactions, risk exposure, assessment of solvency and capital requirement, forward-looking valuation, scenarios and sensitivity analyses. In January 2023, the Company reported its Own Risk and Solvency Assessment of an Insurance Company (ORSA) to the Commissioner for the first time, in accordance with the provisions of the Amendment.

4. The Company undertook to supplement, at any time, the own capital of The Phoenix Pension and Provident to the amount prescribed by the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. This undertaking will be fulfilled only when The Phoenix Pension and Provident's equity will be negative, provided that the supplement amount does not exceed the liabilities limit as aforesaid; the commitment will be in effect so long as the Company is the controlling shareholder of this entity.

NOTE 8 - INVESTMENT IN INVESTEEES (cont.)**F. Capital requirements from institutional entities in the Group (cont.)**

5. The Phoenix Pension and Provident Funds Ltd. is required to maintain minimum equity in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Commissioner's directives, the directives of the Israel Securities Authority and/or the TASE Rules and Regulations. As of December 31, 2022, the Company complies with those requirements.

NOTE 9 - INVESTMENT PROPERTY

A. Composition of and change:

	Investment property for yield-dependent contracts					
	Leased as commercial space		Leased as offices and other (1)		Total	
	2022	2021	2022	2021	2022	2021
	In NIS thousand					
Balance as of January 1	1,200,093	1,050,217	862,769	789,359	2,062,862	1,839,576
Acquisitions and additions to existing properties	4,427	5,485	95,447	132,766	99,874	138,251
Derecognitions	(123,045)	(15,480)	(96,799)	(127,714)	(219,844)	(143,194)
Fair value adjustment	48,983	159,871	150,199	68,358	199,182	228,229
Balance as of December 31	1,130,458	1,200,093	1,011,616	862,769	2,142,074	2,062,862
Discount rate ranges	6.25%-6.75%	6.25%-6.75%	6.00%-7.00%	6.00%-7.00%	6.00%-7.00%	6.00%-7.00%

(1) In 2022, including real estate properties under construction in the amount of NIS 675,146 thousand (in 2021, NIS 550,354 thousand).

	Investment property - other							
	Leased as commercial space		Leased as offices and other (2)		Senior housing		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	In NIS thousand							
Balance as of January 1	595,658	525,787	529,176	524,610	-	1,678,313	1,124,834	2,728,710
Acquisitions and additions to existing properties	2,979	4,388	55,440	48,645	-	46,494	58,419	99,527
Derecognitions	(66,255)	(7,740)	(52,799)	(64,070)	-	-	(119,054)	(71,810)
Carried to a property, plant and equipment	-	-	(12,500)	(38,493)	-	-	(12,500)	(38,493)
Fair value adjustment	23,583	73,223	72,617	58,484	-	28,860	96,200	160,567
Deconsolidation (*)	-	-	-	-	-	(1,753,667)	-	(1,753,667)
Balance as of December 31	555,965	595,658	591,934	529,176	-	-	1,147,899	1,124,834
Discount rate ranges	6.25%-6.75%	6.25%-6.75%	6.00%-7.00%	6.00%-7.00%	-	-	6.00%-7.00%	6.00%-7.00%

(2) In 2022, including real estate properties under construction in the amount of NIS 357,848 thousand (in 2021, NIS 288,233 thousand).

(*) Stems from deconsolidation of Ad 120, see Note 8 to the consolidated financial statements.

NOTE 9 - INVESTMENT PROPERTY (cont.)

B. Fair value measurement of investment property

Investment property is measured at fair value as determined by an appraisal performed by an external independent appraiser, whose skills and ample experience regarding the location and type of property appraised is widely acknowledged. The fair value is determined based on recent market transactions involving similar real estate properties in a location similar to that of the Group's real estate properties, and based on the estimated inflow of future cash flows from the property. When estimating cash flows, their inherent risk was taken into account.

When evaluating an investment property under construction, the discounted cash flow method is used, as the appraiser deems fit. Fair value is determined based on the estimated future revenues from the completed project, using returns adjusted to reflect the significant risks relevant to the construction process, including construction and rental risks, which are higher than present returns on similar completed investment properties. Expected costs to complete plus developer's profits are deducted from the estimated future revenues as aforesaid. Furthermore, the sales comparison approach of similar assets is used. In this method, the appraiser relies on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.

Investment properties are measured at fair value and are classified to Level 3 of the fair value hierarchy.

C. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. Change in fair value of investment property in respect of yield-dependent contracts does not fully affect the Company's profit and loss.

The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

	Increase (decrease) in the fair value as of December 31		Increase (decrease) in profit and loss before tax	
	2022	2021	2022	2021
	in NIS thousand			
0.5% increase	(109,190)	(99,677)	(49,500)	(44,738)
Decrease of 0.5%	125,645	119,292	55,566	53,366

(*) The effect is on the value investment properties for yield-dependent contracts and other real estate properties. Furthermore, there is an indirect effect on management fees.

D. Details regarding interests in real estate properties used by the Group as yield-dependent investment property and other

	As of December 31	
	2022	2021
	In NIS thousand	
Owned	1,680,762	1,562,168
Capitalized lease	1,609,211	1,625,528
Total	<u>3,289,973</u>	<u>3,187,696</u>

NOTE 9 - INVESTMENT PROPERTY (cont.)

D. Details regarding interests in real estate properties used by the Group as yield-dependent investment property and other (cont.)

Capitalized leased assets in the amount of NIS 1,404,121 thousand (in 2021 - NIS 1,429,504 thousand) are leased for a period of 23-47 years.

Capitalized leased assets in the amount of NIS 91,090 thousand (in 2021 - NIS 88,324 thousand) are leased for a period of 66-73 years.

Capitalized leased assets in the amount of NIS 114,000 thousand (in 2021 - NIS 107,700 thousand) are leased for a period of 977 years.

Some of the ownership and lease rights in Israel have not yet been registered in the name of Group companies with the Land Registry, mostly due to technical registration arrangements.

- E.** As part of an investment property purchase agreement of September 27, 2011 between The Phoenix Insurance, Isralom Properties Ltd. and Isralom Building Company (1989) Ltd. (hereinafter - the "Seller"), the Seller did not meet its obligation to complete the registration of the condominium within the dates set in the signed agreement. For further details, please see Note 7.
- F.** For further details about commitments to acquire investment property, see Note 43C1.
- G.** For further details regarding income from investment property, please see Note 29.

NOTE 10 - CREDIT FOR PURCHASE OF SECURITIES

	As of December 31	
	2022	2021
	In NIS thousand	
Open accounts	772,000	503,000
Less provision for doubtful debts	(7,000)	(6,000)
Outstanding receivables - net	<u>765,000</u>	<u>497,000</u>

The credit extended to customers of a consolidated company was granted in respect of purchase of securities by the customers. The credit is non-linked and bears Prime interest rate plus spread. The credit is mainly secured by a pledge placed on the customers' securities portfolios; a significant decrease in the market value of the securities may expose the Company to collection difficulties. Impairment of trade receivables is addressed by recognizing a provision for doubtful accounts.

Following is the change in provision for doubtful debts:

	2022	2021
	In NIS thousand	
Balance as of January 1	6,000	6,000
Change in provision for one year	1,000	-
Balance as of December 31	<u>7,000</u>	<u>6,000</u>

NOTE 11 - RECEIVABLES AND DEBIT BALANCES

A. Composition

	As of December 31	
	2022	2021
	In NIS thousand	
Government institutions and authorities	66,241	58,263
Income receivable	131,433	256,610
Prepaid expenses	77,528	70,225
Employees	4,399	2,801
Related parties - see Note 42	59,613	29,683
Advances on account of fees and commissions to agents	33,341	35,083
Insurance companies and insurance brokers - other accounts	182,884	114,428
Debts - agents	3,082	1,864
Insurance fees and commissions receivable	40,710	57,785
Receivables for securities and TASE Clearing House	9,000	8,000
Other	122,093	78,022
	730,324	712,764
Less provision for doubtful debts	(31)	(140)
Total receivables and debit balances	730,293	712,624

(*) The balance as of December 31, 2021 includes income receivable in respect of sale of real estate properties in 2021, mainly from the sale of the Elef Complex.

B. Set forth below are the changes in the provision for doubtful debts which mainly relates to reinsurers and agents' debts

	2022	2021
	In NIS thousand	
Balance as of January 1	140	1,157
Change in provision for one year	(109)	(1,017)
Balance as of December 31	31	140

NOTE 12 - PREMIUMS COLLECTIBLE

A. Composition:

	As of December 31	
	2022	2021
	In NIS thousand	
Collectible premiums (*)	759,084	673,916
Less provision for doubtful debts	(1,755)	(1,360)
Total collectible premiums (**)	<u>757,329</u>	<u>672,556</u>
Including checks collectible and direct debits	<u>537,766</u>	<u>467,673</u>

(*) Regarding the collectible premium from related parties and interested parties, please see Note 42.

(**) The Group's exposure to currency risks in connection with premiums collectible is described in Note 41, Risk Management. For the linkage terms of premiums collectible, please see Note 41.

B. Aging:

	As of December 31	
	2022	2021
	In NIS thousand	
Unimpaired collectible premium not in arrears	566,592	504,844
In arrears (*):		
Under 90 days	153,138	136,421
Between 90 and 180 days	16,487	12,045
Over 180 days	19,284	14,677
Total unimpaired collectible premium in arrears	188,909	163,143
Impaired collectible premium in arrears	3,583	5,929
Provision for doubtful accounts in respect of collectible premium	(1,755)	(1,360)
Total impaired collectible premium in arrears	<u>1,828</u>	<u>4,569</u>
Total premium	<u>757,329</u>	<u>672,556</u>

(*) Includes debts in arrears in the life insurance segment of approximately NIS 39 million (December 31, 2021 - approximately NIS 32 million); these debts are mostly backed by the policies' cash surrender value.

C. Following is the change in provision for doubtful debts in respect of premiums collectible:

	2022	2021
	In NIS thousand	
Balance as of January 1	1,360	1,480
Change in provision for one year - stated in profit and loss	395	(120)
Balance as of December 31	<u>1,755</u>	<u>1,360</u>

NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS

A. Breakdown of assets presented at fair value through profit and loss:

	As of December 31	
	2022	2021
	In NIS thousand	
Investment property	2,142,074	2,062,862
Financial investments		
Liquid debt assets	21,252,417	22,194,850
Illiquid debt assets	8,306,926	8,100,882
Shares	19,610,785	24,884,732
Other financial investments	28,224,143	25,918,195
Total financial investments	<u>77,394,271</u>	<u>81,098,659</u>
Cash and cash equivalents	16,358,509	13,785,593
Other	160,734	169,549
Total assets for yield-dependent contracts	<u>96,055,588</u>	<u>97,116,663</u>

For further details on financial investments for yield-dependent contracts, please see Note 41, Risk Management.

B. Fair value of financial assets by level:

The following table presents an analysis of assets held against insurance contracts and investment contracts presented at fair value through profit and loss. The different levels were defined as follows:

- Level 1 - fair value measured using quoted prices (unadjusted) in an active market for identical instruments.
- Level 2 - fair value measured using observable inputs, either directly or indirectly, that are not included in Level 1 above.
- Level 3 - fair value measured using inputs that are not based on observable market inputs.

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	16,082,182	5,170,235	-	21,252,417
Illiquid debt assets	-	6,390,528	1,916,398	8,306,926
Shares	17,047,803	686,686	1,876,296	19,610,785
Other financial investments	9,989,631	965,706	17,268,806	28,224,143
Total	<u>43,119,616</u>	<u>13,213,155</u>	<u>21,061,500</u>	<u>77,394,271</u>

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	16,866,619	5,328,231	-	22,194,850
Illiquid debt assets	-	6,378,393	1,722,489	8,100,882
Shares	22,087,156	1,174,596	1,622,980	24,884,732
Other financial investments	10,190,662	1,795,948	13,931,585	25,918,195
Total	<u>49,144,437</u>	<u>14,677,168</u>	<u>17,277,054</u>	<u>81,098,659</u>

During the reporting periods there were no material transfers between Level 1 and Level 2.

As to the methods and assumptions used to determine the fair value of financial assets, please see Note 14G.

NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS (cont.)

C. Changes in financial assets measured at fair value and classified to Level 3:

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	In NIS thousand				
Balance as of January 1, 2022	-	1,722,489	1,622,980	13,931,585	17,277,054
Total gains recognized in profit and loss (*)	-	59,255	324,560	1,879,089	2,262,904
Purchases	-	1,538,352	283,383	4,239,798	6,061,533
Proceeds from interest and dividend	-	(42,028)	(36,666)	(703,959)	(782,653)
Redemptions and sales	-	(804,657)	(4,077)	(1,982,255)	(2,790,989)
Transfers from Level 3 (**)	-	(557,013)	(313,884)	(95,452)	(966,349)
Balance as of December 31, 2022	-	1,916,398	1,876,296	17,268,806	21,061,500
(*) Of which:					
Total gains (losses) for the period included in profit and loss in respect of assets held as of December 31, 2022	-	(11,021)	228,762	1,332,466	1,550,207

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	In NIS thousand				
Balance as of January 1, 2021	-	1,692,181	1,249,004	10,148,125	13,089,310
Total gains recognized in profit and loss (*)	-	40,119	521,932	2,225,084	2,787,135
Purchases	-	1,173,964	359,500	4,280,637	5,814,101
Proceeds from interest and dividend	-	(44,814)	(9,948)	(890,187)	(944,949)
Redemptions and sales	-	(851,711)	(125,369)	(1,657,553)	(2,634,633)
Transfers from Level 3 (**)	-	(287,250)	(372,139)	(174,521)	(833,910)
Balance as of December 31, 2021	-	1,722,489	1,622,980	13,931,585	17,277,054
(*) Of which:					
Total gains (losses) for the period included in profit and loss in respect of assets held as of December 31, 2021	-	(3,628)	374,098	1,381,647	1,752,117

(**) Transfers from level to level stem mainly from securities whose rating has changed and from securities issued for the first time.

NOTE 13A - FINANCIAL INVESTMENTS FOR HOLDERS OF CERTIFICATES OF DEPOSITS AND STRUCTURED BONDS

	December 31	
	2022	2021
	In NIS thousand	
<u>Held-for-trading securities in series accounts:</u>		
Illiquid bonds	177,000	184,000
Amounts receivable in respect of securities	24,000	22,000
	<u>201,000</u>	<u>206,000</u>

NOTE 14 - OTHER FINANCIAL INVESTMENTS

A. Composition:

	As of December 31, 2022			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	In NIS thousand			
<u>Financial investments:</u>				
Liquid debt assets	527,844	5,132,051	-	5,659,895
Illiquid debt assets	-	-	16,461,500	16,461,500
Shares	517,703	1,884,569	-	2,402,272
Other	424,314	4,578,509	-	5,002,823
Total	<u>1,469,861</u>	<u>11,595,129</u>	<u>16,461,500</u>	<u>29,526,490</u>

	As of December 31, 2021			
	Presented at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
	In NIS thousand			
<u>Financial investments:</u>				
Liquid debt assets (*)	302,436	7,170,497	-	7,472,933
Illiquid debt assets	-	-	13,964,441	13,964,441
Shares (*)	151,076	2,610,821	-	2,761,897
Other (*)	766,257	3,732,714	-	4,498,971
Total	<u>1,219,769</u>	<u>13,514,032</u>	<u>13,964,441</u>	<u>28,698,242</u>

(*) Reclassified

B. Liquid debt assets

Composition:

	As of December 31	
	2022	2021
	In NIS thousand	
<u>Government bonds</u>		
Presented at fair value through profit and loss (*)	45,923	33,949
Available-for-sale (*)	<u>1,814,653</u>	<u>3,925,232</u>
Total government bonds	<u>1,860,576</u>	<u>3,959,181</u>
<u>Other debt assets:</u>		
<u>Non-convertible</u>		
Presented at fair value through profit and loss (*)	85,919	65,324
Available-for-sale (*)	<u>3,317,398</u>	<u>3,245,265</u>
Total other non-convertible debt assets	<u>3,403,317</u>	<u>3,310,589</u>
<u>Convertible</u>		
Presented at fair value through profit or loss	<u>396,002</u>	<u>203,163</u>
Total other convertible debt assets	<u>396,002</u>	<u>203,163</u>
Total liquid debt assets	<u>5,659,895</u>	<u>7,472,933</u>
Regular impairments carried to profit and loss (cumulative)	<u>357,288</u>	<u>81,553</u>

(*) Reclassified

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)**C. Illiquid debt assets**

Composition:

	As of December 31			
	Carrying amount		Fair value	
	2022	2021	2022	2021
	In NIS thousand			
Government bonds				
Presented as loans and receivables:				
Designated bonds and treasury deposits (*)	8,562,862	8,166,309	11,336,672	12,915,459
Other non-convertible debt assets:				
Presented as loans and receivables, excluding deposits with banks	6,783,963	4,806,398	6,640,304	5,084,555
Deposits with banks	1,114,675	991,734	1,128,407	1,034,477
Total other non-convertible debt assets	7,898,638	5,798,132	7,768,711	6,119,032
Total illiquid debt assets	16,461,500	13,964,441	19,105,383	19,034,491
Regular impairments carried to profit and loss (cumulative)	50,454	62,220		

(*) The fair value of designated bonds and treasury deposits was calculated in accordance with the contractual (expected) repayment date.

D. **Details on paid interest and linkage in respect of debt assets**

	Effective interest rate as of as of December 31	
	2022	2021
	%	
Liquid debt assets		
Linkage base		
CPI-linked	2.37%	(0.87%)
NIS	4.56%	2.78%
Linked to foreign currency	8.40%	4.10%
Illiquid debt assets		
Linkage base		
CPI-linked	4.44%	4.60%
NIS	5.37%	3.36%
Linked to foreign currency	5.99%	4.06%

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

E. Shares

	As of December 31	
	2022	2021
	In NIS thousand	
<u>Liquid</u>		
Presented at fair value through profit and loss (*)	496,132	135,067
Available-for-sale (*)	1,419,347	2,128,797
Total liquid shares	1,915,479	2,263,864
<u>Illiquid</u>		
Presented at fair value through profit and loss	21,571	16,009
Available for sale	465,222	482,024
Total illiquid shares	486,793	498,033
Total shares	2,402,272	2,761,897
Regular impairments carried to profit and loss (cumulative)	346,640	216,533

(*) Reclassified

F.(1) Other financial investments

	As of December 31	
	2022	2021
	In NIS thousand	
<u>Liquid</u>		
Presented at fair value through profit and loss (*)	49,350	91,826
Available-for-sale (*)	439,350	823,232
Derivative instruments F(2)	70,990	85,436
Total liquid financial investments	559,690	1,000,494
<u>Illiquid</u>		
Presented at fair value through profit and loss (*)	61,596	292,685
Available-for-sale (*)	4,139,159	2,909,482
Derivative instruments F(2)	242,378	296,310
Total illiquid financial investments	4,443,133	3,498,477
Total other financial investments	5,002,823	4,498,971
Regular impairments carried to profit and loss (cumulative)	245,426	153,113

(*) Reclassified

Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

As to engagement in connection with an undertaking to invest in funds, please see Note 43C.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

F.(2) Derivative instruments

Set forth below is the amount of net exposure to the underlying asset, presented in delta terms of financial transactions carried out as of the financial report date: (*)

	As of December 31	
	2022	2021
	In NIS thousand	
Foreign currency	(7,682,741)	(5,515,700)
Shares	1,326,506	470,620
Interest (**)	2,037,718	21,957
Index(***)	1,638,073	1,193,222

The Company has other derivative instruments which are not included in the above table.

(*) The underlying assets are affected by intra-group exposures. The balances do not include shorts on securities. Regarding sensitivities to foreign currencies, shares, interest and index, see Section 3.2 to Note 41 below.

(**) Includes mainly contracts and options for bonds.

(***) Reclassified.

G. The methods and assumptions used to determine fair value

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. The value of investments that are not traded in an active market is determined as follows:

1. Illiquid debt assets

The fair value of illiquid debt assets, which are measured at fair value through profit and loss, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The discount rates are based primarily on yields on government bonds and spreads of corporate bonds as measured on the TASE. The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities.

Set forth below are the weighted average interest rates for illiquid debt assets included in other financial investments, by rating:

	As of December 31	
	2022	2021
	%	
AA and above	1.08%	(1.67%)
A	3.06%	(0.26%)
BBB	4.21%	0.98%
Less than BBB	-	-
Unrated	17.04%	11.05%

(*) The sources for the ratings in Israel are Maalot and Midroog rating agencies. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+. Regarding internal rating, please see Note 41, Section 6.3.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

G. The methods and assumptions used to determine fair value (cont.)

2. Illiquid shares

The fair value of the investment in illiquid shares was estimated using the discounted cash flow model (DCF). The estimate requires management to make certain assumptions regarding the model's data, including expected cash flows, discount rates, credit risk and volatility. The probabilities in respect of the estimates in the range can be measured reliably, and management uses them to determine and evaluate the fair value of these investments in illiquid shares.

3. Derivatives

The Company enters into transactions involving derivative financial instruments with financial institutions. The derivatives were valued using valuation models with observable market inputs are mainly interest rate swap contracts and foreign currency forwards. The most frequently used valuation techniques include prices of forwards and swap models using present value calculations. The models combine a number of inputs, including the credit rating of the parties to the financial transaction, spot/forward exchange rates, prices of forward contracts and interest rate curves. All derivative contracts are fully back against cash; therefore, there is no counterparty credit risk and non-performance risk of the Company itself in respect thereof.

H. Fair value of financial assets by level

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	3,978,409	1,681,486	-	5,659,895
Shares	1,662,972	252,507	486,793	2,402,272
Other	585,574	305,766	4,111,483	5,002,823
Total	6,226,955	2,239,759	4,598,276	13,064,990
Illiquid debt assets disclosed at fair value (see Section C above)	-	15,566,007	3,539,376	19,105,383

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	In NIS thousand			
Liquid debt assets	6,078,689	1,394,244	-	7,472,933
Shares	1,782,305	481,559	498,033	2,761,897
Other	1,020,779	615,128	2,863,064	4,498,971
Total	8,881,773	2,490,931	3,361,097	14,733,801
Illiquid debt assets disclosed at fair value (see Section C above)	-	16,815,676	2,218,815	19,034,491

During the reporting periods there were no material transfers between Level 1 and Level 2.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

I. Changes in assets measured at fair value - Level 3

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	In NIS thousand				
Balance as of January 1, 2022	-	-	498,033	2,863,064	3,361,097
Total profits recognized:					
In profit and loss (*)	-	-	(804)	154,348	153,544
In other comprehensive income	-	-	47,457	500,197	547,654
Purchases	-	-	60,189	1,211,807	1,271,996
Proceeds from interest and dividend	-	-	(1,858)	(140,728)	(142,586)
Redemptions and sales	-	-	-	(459,852)	(459,852)
Transfers from Level 3 (**)	-	-	(116,224)	(17,353)	(133,577)
Balance as of December 31, 2022	-	-	486,793	4,111,483	4,598,276
(*) Of which:					
Total losses for the period included in profit and loss in respect of assets held as of December 31, 2022	-	-	(8,321)	(75,807)	(84,128)

(**) Transfers from Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

	Measurement of fair value at the reporting date				
	Financial assets at fair value through profit and loss and available-for-sale financial assets				
	Liquid debt assets	Illiquid debt assets	Shares	Other financial investments	Total
	In NIS thousand				
Balance as of January 1, 2021	-	-	330,008	2,037,817	2,367,825
Total profits recognized:					
In profit and loss (*)	-	-	18,658	120,906	139,564
In other comprehensive income	-	-	162,902	256,973	419,875
Purchases	-	-	121,831	907,353	1,029,184
Proceeds from interest and dividend	-	-	(1,526)	(156,899)	(158,425)
Redemptions and sales	-	-	(29,189)	(244,880)	(274,069)
Transfers into Level 3 (**)	-	-	96,224	-	96,224
Transfers from Level 3 (**)	-	-	(200,875)	(58,206)	(259,081)
Balance as of December 31, 2021	-	-	498,033	2,863,064	3,361,097
(*) Of which:					
Total losses for the period included in profit and loss in respect of assets held as of December 31, 2021	-	-	(339)	(46,271)	(46,610)

(**) Securities issued for the first time and securities classified from investment in an associate.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

J. Aging of investments in illiquid financial debt assets

	As of December 31	
	2022	2021
	In NIS thousand	
<u>Unimpaired debt assets</u>		
No arrears	16,436,061	13,938,487
In arrears (*):		
Under 90 days	5	29
Between 90 and 180 days	-	-
Over 180 days	-	-
Total unimpaired debt assets	16,436,066	13,938,516
<u>Impaired debt assets:</u>		
Impaired assets, gross	75,888	88,145
Provision for loss	(50,454)	(62,220)
Impaired debt assets, net	25,434	25,925
Total illiquid debt assets	16,461,500	13,964,441

It should be noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the outstanding debt involved in arrears.

(*) Mainly loans to agents secured by a mortgage on real estate properties.

K. Credit assets in respect of factoring, clearing and financing

	As of December 31, 2022	As of December 31, 2021
	In NIS thousand	In NIS thousand
Trade receivables and checks for collection	1,105,547	845,079
Credit vouchers	17,064	14,984
Loans and checks for collection	1,010,058	608,405
Credit vouchers for sale	1,335,486	1,096,965
Provision for doubtful debts	(24,818)	(15,041)
Total	3,443,337	2,550,392

L. Disclosure required in connection with the temporary exemption due to application of IFRS 9

The following table presents the fair value of the financial assets divided into two classes:

- Assets that are subject to the principal and interest test only (excluding assets that are held-for-trading or managed on a fair value basis through profit and loss (hereinafter - "Class A").
- All other financial assets (hereinafter - "Class B").

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

L. Disclosure required in connection with the temporary exemption due to application of IFRS 9 (cont.)

	Class A		Class B	
	As of December 31		As of December 31	
	2022	2021	2022	2021
	In NIS thousand			
<u>Financial investments for yield-dependent contracts</u>				
Total financial investments	-	-	77,394,271	81,098,659
Cash and cash equivalents	-	-	16,358,509	13,785,593
<u>Financial investments for non-yield-dependent contracts</u>				
Liquid debt assets	4,553,139	6,628,429	1,106,756	844,504
Illiquid debt assets in terms of fair value	18,792,389	18,655,164	312,994	379,327
Shares	-	-	2,402,272	2,761,897
Other financial investments	-	-	5,002,823	4,498,971
Total financial investments	<u>23,400,447</u>	<u>25,283,593</u>	<u>8,769,926</u>	<u>8,484,699</u>
Cash and cash equivalents	<u>3,439,766</u>	<u>2,154,153</u>	-	-

NOTE 15 - CASH AND CASH EQUIVALENTS

A. Cash and cash equivalents in respect of yield-dependent contracts

	December 31	
	2022	2021
	In NIS thousand	
Cash and deposits with banks available for immediate withdrawal	5,871,327	5,132,340
Short term deposits	10,487,182	8,653,253
Cash and cash equivalents	<u>16,358,509</u>	<u>13,785,593</u>

As of balance sheet date, the cash with banks bear current interest of 2.91%-3.48% based on nominal interest rates applicable to daily deposits with banks (December 31, 2021 - 0%-0.06%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 3.50%-3.90% (December 31, 2021 - 0%-0.45%).

For the terms and conditions of linkage of cash and short-term deposits, please see Note 41.

B. Other cash and cash equivalents

	December 31	
	2022	2021
	In NIS thousand	
Cash and deposits with banks available for immediate withdrawal	553,427	537,438
Short term deposits	2,886,339	1,616,715
Cash and cash equivalents	<u>3,439,766</u>	<u>2,154,153</u>

NOTE 15 - CASH AND CASH EQUIVALENTS (cont.)

B. Other cash and cash equivalents (cont.)

As of balance sheet date, the cash with banks bear current interest of 2.91%-3.48% based on nominal interest rates applicable to daily deposits with banks (December 31, 2021 - 0%-0.06%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 3.50%-3.90% (December 31, 2021 - 0%-0.45%).

For the terms and conditions of linkage of cash and short-term deposits, please see Note 41.

NOTE 16 - EQUITY AND CAPITAL RESERVES

A. Composition of share capital

	December 31, 2022		December 31, 2021	
	Authorized	Issued and paid up In NIS thousand	Authorized	Issued and paid up
Ordinary shares of NIS 1 p.v. each	300,000	257,843(*)	300,000	256,526 (*)

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022 and is valid through August 23, 2024. Under the Prospectus, the Company may issue various securities such as: ordinary Company shares of NIS 1 par value each (hereinafter in this section - "Company shares"), preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, commercial securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

(*) Excluding amortization in respect of treasury shares. For further details regarding treasury shares, please see Section D below.

B. Changes in share capital

	Number of shares In thousands	Total Par value in NIS thousand
Balance as of January 1, 2021	256,154	256,154
Issuance of shares (*)	372	372
Balance as of December 31, 2021	256,526	256,526
Issuance of shares (*)	1,317	1,317
Balance as of December 31, 2022	257,843(*)	257,843(*)

(*) Arises from exercise of options (see Note 37C), excluding treasury shares. For further details regarding treasury shares, please see Section D below.

C. Rights attached to shares

- Voting rights in the general meeting, rights to receive dividends, rights upon liquidation of the Company and rights to appoint directors in the Company.
- Company's shares are listed on the TASE.

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

D. Treasury shares - Company shares held by the Company

	As of December 31	
	2022	2021
<u>Shares</u>		
Rate of issued capital (in %)	2.09%	1.55%
Cost (in NIS thousand)	155,628	99,769

On October 1, 2020, the Company's Board of Directors approved a share buyback plan at a total amount of up to NIS 100 million. The plan shall be executed from time to time by Company's management, which was authorized by the Company's Board of Directors to buy the securities at its discretion during the period set for the execution of the plan. The Company completed the share buyback plan at a total amount of NIS 100 million (3,983,092 shares of NIS 1 par value each).

On August 24, 2021, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year. During 2022, the Company acquired 1,412 thousand shares at the total value of NIS 56 million. The plan's aggregate execution rate is 55.9%.

On January 31, 2023, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million. Subsequent to balance sheet date and through the report publication date, the Company purchased approximately 173,690 shares at a total cost of approximately NIS 6.3 million. Subsequent to the purchase, the Company holds 5,569 thousand Company shares.

Furthermore, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries.

E. Adjustments arising from translation of financial statements

Capital reserve from translation differences stems from changes in exchange rates of foreign currency arising from translation of the financial statements of investees which constitute foreign operations, and from changes in the exchange rates of foreign currency stemming from translation of financial statements from the functional currency to the presentation currency.

F. Capital management

It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities of the Group.

This capital is also designed to support the risks inherent in the Group's business, such as market and credit risks, operational risks, catastrophe risks and more.

The Phoenix Insurance, The Phoenix Investment House and other institutional entities consolidated in the financial statements are subject to external capital requirements set by the Insurance Commissioner; for further details, please see Note 8E to the financial statements.

G. Reserve in respect of transaction with controlling shareholder

Assets and liabilities, which are the subject matter of a transaction between the Company and its controlling shareholder or between companies under common control, are recognized at fair value on the transaction date. The difference between the fair value and the transaction's consideration is carried to equity. A negative difference is essentially a dividend and therefore reduces the balance of retained earnings. A positive difference is essentially a shareholders' investment and is therefore presented as a separate line item, under equity: "Reserve in respect of a transaction with controlling shareholder".

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

H. Dividend

1. Dividend distribution policy

In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year. The policy was approved following the approval of the dividend distribution policy by The Phoenix Insurance; under the policy, as from 2021, The Phoenix Insurance shall distribute an annual dividend at a rate of 30% to 50% of its distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year, so long as The Phoenix Insurance meets the minimum solvency ratio it had set, which is higher than the solvency ratio applicable to it under the Supervision Rules. For further details, please see the Company's immediate report dated October 28, 2020 (Ref. No. 2020-01-107812).

As part of the policy it is stipulated that amounts used to implement the share buyback plan as described in Section D above shall be included in the amount of dividend calculated in accordance with the policy.

On March 28, 2022, simultaneously with the approval of the Financial Statements, the Company's Board of Directors approved an update to the dividend distribution policy, that will apply in connection with future dividend distributions that will be executed in connection with the Company's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but the Company will take steps to distribute a dividend twice a year:

- Interim dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year;
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.

It is hereby clarified that this policy should not be viewed as an undertaking by the Company to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors may decide on actual distribution at different (higher or lower) rates, or not to distribute any dividend. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants the Company has undertaken or/or will undertake to comply with, to the Company's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of the Company's bonds and/or its cash flows, and to the extent to which the Company needs cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities. The Board of Director may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to the Company, to change the dividend distribution policy, including the rate of dividend to be distributed.

2. On March 28, 2022, the Company's Board of Directors approved a dividend distribution in the amount of NIS 421 million. The dividend per share of NIS 1 par value is NIS 1.68. The record date for the distribution is April 5, 2022; the dividend was paid on April 13, 2022.
3. On August 24, 2022, the company's Board of Directors approved a dividend distribution in the amount of NIS 160 million in respect of the profits for the 6-month period ended June 30, 2022. The dividend per share of NIS 1 par value is NIS 0.63659. The record date for the distribution is September 4, 2022; the dividend was paid on September 12, 2022.
4. On March 22, 2023, the Company's Board of Directors approved a dividend distribution in respect of profits for the period, in the amount of NIS 177 million. The dividend per share of NIS 1 par value is NIS 0.7. The record date for the distribution is March 30, 2023; the dividend will be paid on April 10, 2023.

NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

I. Revaluation reserve

Revaluation reserve is used to record fair value adjustments (net of the tax effect) of property, plant and equipment and impairment up to the amount of appreciation recorded in respect of that asset in capital reserves.

NOTE 17 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Life insurance and savings</u>						
Insurance contracts (see Note 20)	12,522,079	12,355,213	200,888	87,363	12,321,191	12,267,850
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	4,774	4,959	-	-	4,774	4,959
Total life insurance and savings	12,517,305	12,350,254	200,888	87,363	12,316,417	12,262,891
Investment contracts included in the pension and provident segment	1,016,001	949,349	-	-	1,016,001	949,349
Total	13,533,306	13,299,603	200,888	87,363	13,332,418	13,212,240
Insurance contracts included in the health insurance segment (see Note 21)	4,784,707	5,104,795	528,964	434,927	4,255,743	4,669,868
Insurance contracts included in the property and casualty insurance segment (see Note 19)	7,140,483	6,708,588	2,315,462	2,152,657	4,825,021	4,555,931
Total liabilities for insurance contracts and non-yield-dependent investment contracts	25,458,496	25,112,986	3,045,314	2,674,947	22,413,182	22,438,039

NOTE 18 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND YIELD-DEPENDENT INVESTMENT CONTRACTS

	As of December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Life insurance and savings</u>						
Insurance contracts	67,506,858	71,912,190	97,744	103,965	67,409,114	71,808,225
Investment contracts	<u>20,815,236</u>	<u>17,367,786</u>	-	-	<u>20,815,236</u>	<u>17,367,786</u>
Total life insurance (see Note 20)	88,322,094	89,279,976	97,744	103,965	88,224,350	89,176,011
Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees	<u>14,158</u>	<u>15,210</u>	-	-	<u>14,158</u>	<u>15,210</u>
Total life insurance and savings	88,307,936	89,264,766	97,744	103,965	88,210,192	89,160,801
Insurance contracts included in the health insurance segment (see Note 21)	<u>5,734,157</u>	<u>6,363,818</u>	<u>29,191</u>	<u>27,634</u>	<u>5,704,966</u>	<u>6,336,184</u>
Total liabilities for insurance contracts and yield-dependent investment contracts	<u>94,042,093</u>	<u>95,628,584</u>	<u>126,935</u>	<u>131,599</u>	<u>93,915,158</u>	<u>95,496,985</u>

In yield-dependent insurance contracts, the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of the Company, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of the Company's participating policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by the Company.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT

A.(1) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by type:

	As of December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Compulsory motor and liability subsegments:</u>						
Provision for unearned premium	585,251	524,874	181,935	219,985	403,316	304,889
Contingent claims and provision for premium deficiency	4,823,099	4,653,465	1,659,774	1,461,814	3,163,325	3,191,651
Total compulsory motor and liability subsegments	5,408,350	5,178,339	1,841,709	1,681,799	3,566,641	3,496,540
Of which - total liability in respect of the compulsory motor subsegment	3,025,588	2,974,669	1,122,921	1,202,327	1,902,667	1,772,342
<u>Property and other subsegments:</u>						
Provision for unearned premium	1,007,150	821,829	242,307	207,922	764,843	613,907
Contingent claims	672,692	653,820	231,446	262,936	441,246	390,884
Provision for premium deficiency	52,291	54,600	-	-	52,291	54,600
Total property and other subsegments	1,732,133	1,530,249	473,753	470,858	1,258,380	1,059,391
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	7,140,483	6,708,588	2,315,462	2,152,657	4,825,021	4,555,931
<u>Deferred acquisition costs:</u>						
Compulsory motor and liability subsegments	90,037	78,198	36,227	46,016	53,810	32,182
Property and other subsegments	231,036	195,619	47,636	41,146	183,400	154,473
Total deferred acquisition costs	321,073	273,817	83,863	87,162	237,210	186,655
<u>Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs:</u>						
Compulsory motor and liability subsegments	5,318,313	5,100,141	1,805,482	1,635,783	3,512,831	3,464,358
Property and other subsegments	1,501,097	1,334,630	426,117	429,712	1,074,980	904,918
Total liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs	6,819,410	6,434,771	2,231,599	2,065,495	4,587,811	4,369,276

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

A.(2) Liabilities in respect of insurance contracts included in the property and casualty insurance segment by calculation methods:

	As of December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
<u>Actuarial estimates:</u>						
Total actuarial estimates by Ms. Anna Nahum, Property and Casualty Insurance Actuary	5,451,726	5,278,290	1,855,032	1,687,784	3,596,694	3,590,506
Total actuarial estimates by Ms. Luba Sharapov, Health Insurance Actuary	8,234	13,741	197	373	8,037	13,368
Total actuarial estimates	<u>5,459,960</u>	<u>5,292,031</u>	<u>1,855,229</u>	<u>1,688,157</u>	<u>3,604,731</u>	<u>3,603,874</u>
<u>Provisions based on other estimates:</u>						
Claims Department's estimates in respect of known contingent claims	24,449	23,625	19,448	20,125	5,001	3,500
Addition for contingent claims in respect of claims incurred but not yet reported (IBNR)	63,673	46,229	16,543	16,468	47,130	29,761
Provision for unearned premium	<u>1,592,401</u>	<u>1,346,703</u>	<u>424,242</u>	<u>427,907</u>	<u>1,168,159</u>	<u>918,796</u>
Total liabilities in respect of insurance contracts included in the property and casualty insurance segment	<u><u>7,140,483</u></u>	<u><u>6,708,588</u></u>	<u><u>2,315,462</u></u>	<u><u>2,152,657</u></u>	<u><u>4,825,021</u></u>	<u><u>4,555,931</u></u>

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs:

1. Compulsory motor and liability subsegments

	For the year ended December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
Balance at beginning of year	<u>5,100,141</u>	<u>4,724,174</u>	<u>1,635,783</u>	<u>1,312,216</u>	<u>3,464,358</u>	<u>3,411,958</u>
Ultimate cost of claims in respect of current underwriting year	1,120,007	1,096,174	325,974	451,175	794,033	644,999
Change in balances at beginning of year as a result of linkage to the CPI and investment profit in accordance with the discount assumption implicit in the liabilities	269,236	113,116	86,349	31,350	182,887	81,766
Change in ultimate cost of claims in respect of previous underwriting years (5)	<u>(566,747)</u>	<u>(196,875)</u>	<u>(74,739)</u>	<u>(5,373)</u>	<u>(492,008)</u>	<u>(191,502)</u>
Total change in ultimate cost of claims	<u>822,496</u>	<u>1,012,415</u>	<u>337,584</u>	<u>477,152</u>	<u>484,912</u>	<u>535,263</u>
Payments to settle claims during the year:						
In respect of current underwriting year	(7,997)	(10,527)	(1,611)	(1,333)	(6,386)	(9,194)
In respect of previous underwriting years (6)	<u>(596,327)</u>	<u>(625,921)</u>	<u>(166,274)</u>	<u>(152,252)</u>	<u>(430,053)</u>	<u>(473,669)</u>
Total payments for the period	<u>(604,324)</u>	<u>(636,448)</u>	<u>(167,885)</u>	<u>(153,585)</u>	<u>(436,439)</u>	<u>(482,863)</u>
Balance at end of year	<u>5,318,313</u>	<u>5,100,141</u>	<u>1,805,482</u>	<u>1,635,783</u>	<u>3,512,831</u>	<u>3,464,358</u>

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.
4. The ultimate cost of claims is revised based on the model in accordance with the actual development of claims.
5. The change in the gross and retention ultimate cost of claims in respect of previous underwriting years in 2022 is mainly impacted by the effect of the use of illiquid assets, in accordance with the revised circular regarding the valuation of property and casualty insurance claims, an increase in the discount rate and positive developments in compulsory motor insurance, professional liability insurance and employers liability insurance subsegments. See Note 41, Section 5.2.2.5.
6. The decrease in gross and retention payments in respect of previous underwriting years stems mainly from the professional liability insurance subsegment.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

B. Change in liabilities in respect of insurance contracts included in the property and casualty subsegment, net of deferred acquisition costs: (cont.)

2. Property and other subsegments

	For the year ended December 31					
	2022	2021	2022	2021	2022	2021
	Gross		Reinsurance		Retention	
	In NIS thousand					
Balance at beginning of year	1,334,630	1,220,510	429,712	448,158	904,918	772,352
Ultimate cost of claims in respect of events in the reported year (5)	1,520,999	1,210,022	229,947	228,383	1,291,052	981,639
Change in the ultimate cost of claims in respect of events prior to the reported year (6)	(58,691)	(112,374)	(25,108)	(30,107)	(33,583)	(82,267)
Payments to settle claims during the year:						
In respect of events in the reported year	(1,082,916)	(806,396)	(130,041)	(110,042)	(952,875)	(696,354)
In respect of events prior to the reported year	(360,521)	(246,084)	(106,288)	(93,348)	(254,233)	(152,736)
Total payments	(1,443,437)	(1,052,480)	(236,329)	(203,390)	(1,207,108)	(849,090)
Change in provision for unearned premium, net of deferred acquisition costs	149,905	37,752	27,895	(13,332)	122,010	51,084
Change in provision for premium deficiency (7)	(2,309)	31,200	-	-	(2,309)	31,200
Balance at end of year	1,501,097	1,334,630	426,117	429,712	1,074,980	904,918

- The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
- The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reported year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
- Payments to settle claims during the year include payments in respect of events prior to the reported year.
- Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.
- The ultimate cost of claims in respect of events in 2022 compared with 2021 stems mainly from an increase in the motor property subsegment.
- The change in the gross and retention ultimate cost of claims in respect of events prior to the reporting year in 2022 compared with 2021 is mainly attributed to the motor property subsegment.
- The change in provision of premium deficiency stems from the motor property subsegment.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(1) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor and liability insurance subsegments:

	December 31, 2022									
	Underwriting year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	In NIS thousands, adjusted to the November 2022 CPI (1)									
Claims paid (cumulative) as of the end of the year										
After the first year	8,753	7,818	8,033	11,122	13,342	19,371	9,585	8,287	11,191	8,501
After two years	42,128	36,724	44,304	48,187	69,320	60,364	50,606	51,971	53,393	
After three years	97,139	90,282	106,558	121,707	161,830	151,001	146,991	139,414		
After four years	162,070	172,720	186,708	202,541	281,396	251,531	236,676			
After five years	228,695	261,421	269,979	278,712	371,868	336,541				
After six years	309,168	335,683	345,696	345,075	426,211					
After seven years	391,771	388,684	407,965	407,924						
After eight years	485,319	481,556	472,980							
After nine years	537,141	523,634								
After ten years	583,861									
Estimated cumulative claims (including payments) as of the end of the year:										
After the first year (2)	719,548	771,045	763,953	859,642	898,825	991,163	959,030	991,905	1,154,144	1,120,513
After two years	759,063	711,500	779,105	856,304	903,638	934,119	907,621	982,466	1,069,405	
After three years	771,976	738,421	785,803	856,842	887,522	908,540	929,815	886,699		
After four years	782,612	731,843	767,423	816,968	874,767	903,199	864,688			
After five years	772,897	732,726	752,116	794,243	860,794	843,726				
After six years	782,859	718,951	718,320	729,716	800,036					
After seven years	781,615	706,730	707,288	693,015						
After eight years	744,513	688,928	669,957							
After nine years	730,784	659,049								
After ten years	714,188									
Surplus relating to the first year that does not involve accrual (3)	57,788	52,451	93,996	166,627	98,789	147,437	94,342	105,206	84,739	901,375
Deviation rate in respect of the first year that does not involve accrual, in % (4)	7.4%	7.1%	12.1%	19.4%	11.0%	14.9%	9.8%	10.6%	7.3%	11.1%
The cost of cumulative claims as of December 31, 2022	714,188	659,049	669,957	693,015	800,036	843,726	864,688	886,699	1,069,405	1,120,513
Cumulative payments through December 31, 2022	583,861	523,634	472,980	407,924	426,211	336,541	236,676	139,414	53,393	8,501
Contingent claims as of end of the period	130,327	135,415	196,977	285,091	373,825	507,185	628,012	747,285	1,016,012	1,112,012
For years up to and including the underwriting year 2012										186,172
Total gross liability in respect of insurance contracts in compulsory motor and liability insurance subsegments less deferred acquisition costs as of December 31, 2022										<u>5,318,313</u>

- (1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
- (2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
- (3) Surplus relating to the first year that does not involve accrual was affected mainly from offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the valuation of property and casualty insurance claims, and from an increase in the discount rate in the reporting year. Furthermore, the surplus is also affected from the revision of the insurance liabilities due to the implementation of the ruling on discounting, see Note 41, Section 5.2.2.5.
- (4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(2) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the compulsory motor and liability insurance subsegments:

	December 31, 2022										
	Underwriting year										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
In NIS thousands, adjusted to the November 2022 CPI (1)											
Claims paid (cumulative) as of the end of the year											
After the first year	8,518	7,211	7,861	9,479	10,800	9,760	8,349	7,139	9,700	6,788	
After two years	38,574	34,759	38,548	41,443	41,209	35,269	32,742	38,322	35,677		
After three years	90,394	84,980	98,231	110,679	98,481	83,222	81,409	87,263			
After four years	150,224	163,785	177,383	188,625	165,835	137,013	129,048				
After five years	213,929	252,109	258,273	263,752	219,210	182,512					
After six years	287,762	325,531	328,302	328,629	254,900						
After seven years	345,070	377,651	384,108	391,939							
After eight years	395,773	468,811	448,777								
After nine years	440,925	509,643									
After ten years	481,141										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	628,717	674,798	721,042	821,874	600,217	593,146	551,754	600,317	679,067	794,437	
After two years	650,334	680,872	749,560	825,484	593,715	554,074	508,906	599,754	625,760		
After three years	667,101	705,609	759,918	815,600	587,422	531,424	515,062	520,511			
After four years	671,649	704,169	740,629	779,289	571,186	524,986	461,963				
After five years	657,591	699,222	724,123	758,263	556,630	480,650					
After six years	643,636	689,898	685,364	698,893	504,034						
After seven years	627,239	679,177	670,382	665,032							
After eight years	607,241	666,223	631,206								
After nine years	595,449	628,845									
After ten years	576,076										
Surplus relating to the first year that does not involve accrual (3)	91,025	52,027	89,836	156,842	96,183	112,496	89,791	79,806	53,307		821,313
Deviation rate in respect of the first year that does not involve accrual, in % (4)	13.6%	7.4%	12.0%	19.1%	16.0%	19.0%	16.3%	13.3%	7.9%		13.9%
The cost of cumulative claims as of December 31, 2022	576,076	628,845	631,206	665,032	504,034	480,650	461,963	520,511	625,760	794,437	5,888,514
Cumulative payments through December 31, 2022	481,141	509,643	448,777	391,939	254,900	182,512	129,048	87,263	35,677	6,788	2,527,688
Contingent claims as of end of the period	94,935	119,202	182,429	273,093	249,134	298,138	332,915	433,248	590,083	787,649	3,360,826
For years up to and including the underwriting year 2012											152,005
Total liabilities (retention) in respect of insurance contracts in the compulsory motor and liability subsegments, net of deferred acquisition costs as of December 31, 2022											3,512,831

- (1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
- (2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
- (3) Surplus relating to the first year that does not involve accrual was affected mainly from offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the valuation of property and casualty insurance claims, and from an increase in the discount rate in the reporting year. Furthermore, the surplus is also affected from the revision of the insurance liabilities due to the implementation of the ruling on discounting. See Note 41, Section 5.2.2.5.
- (4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(3) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the compulsory motor insurance subsegment:

	December 31, 2022									
	Underwriting year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	In NIS thousands, adjusted to the November 2022 CPI (1)									
<u>Claims paid (cumulative) as of the end of the year</u>										
After the first year	5,208	4,579	5,032	6,183	8,747	7,240	6,211	4,525	4,666	4,661
After two years	22,879	20,560	21,660	25,750	38,407	33,837	32,815	29,585	34,987	
After three years	55,285	57,633	65,878	77,040	105,300	104,217	107,839	97,392		
After four years	99,901	115,731	123,644	134,651	181,474	178,016	174,268			
After five years	146,581	182,238	179,579	190,715	236,420	240,819				
After six years	194,633	237,363	224,312	227,327	276,536					
After seven years	227,065	270,468	260,895	267,670						
After eight years	253,894	339,125	310,618							
After nine years	279,713	362,061								
After ten years	312,701									
<u>Estimated cumulative claims (including payments) as of the end of the year:</u>										
After the first year (2)	413,449	443,567	474,272	549,696	587,110	633,961	628,850	631,461	720,094	675,535
After two years	423,885	439,989	484,882	529,815	570,721	589,394	598,171	630,771	680,343	
After three years	415,889	455,932	482,266	518,813	538,762	571,191	606,099	542,049		
After four years	419,793	450,915	460,251	486,246	522,100	569,351	543,723			
After five years	396,310	441,541	445,785	470,748	516,450	530,380				
After six years	386,518	436,867	411,103	418,181	486,105					
After seven years	366,162	437,331	408,289	406,823						
After eight years	349,696	434,027	392,094							
After nine years	347,342	412,498								
After ten years	341,042									
Surplus relating to the first year that does not involve accrual (3)	74,847	27,491	82,178	142,873	101,005	103,581	85,127	89,412	39,751	746,265
Deviation rate in respect of the first year that does not involve accrual, in % (4)	17.8%	6.0%	16.9%	26.0%	17.2%	16.3%	13.5%	14.2%	5.5%	14.7%
The cost of cumulative claims as of December 31, 2022	341,042	412,498	392,094	406,823	486,105	530,380	543,723	542,049	680,343	675,535
Cumulative payments through December 31, 2022	312,701	362,061	310,618	267,670	276,536	240,819	174,268	97,392	34,987	4,661
Contingent claims as of end of the period	28,341	50,437	81,476	139,153	209,569	289,561	369,455	444,657	645,356	670,874
For years up to and including the underwriting year 2012										
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2022										
										2,990,169

- (1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
- (2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
- (3) Surplus relating to the first year that does not involve accrual was affected mainly from offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the valuation of property and casualty insurance claims, and from an increase in the discount rate in the reporting year. Furthermore, the surplus is also affected from the revision of the insurance liabilities due to the implementation of the ruling on discounting. See Note 41, Section 5.2.2.5.
- (4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

C.(4) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the compulsory motor insurance subsegment:

	December 31, 2022										
	Underwriting year										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
In NIS thousands, adjusted to the November 2022 CPI (1)											
Claims paid (cumulative) as of the end of the year											
After the first year	5,208	4,579	5,032	6,183	7,893	6,263	5,081	3,750	3,846	4,332	
After two years	22,879	20,560	21,660	25,750	25,914	19,406	18,296	18,422	22,252		
After three years	55,285	57,633	65,878	77,040	62,183	49,391	50,534	50,786			
After four years	99,901	115,731	123,644	134,651	103,009	80,433	78,545				
After five years	146,581	182,238	179,579	190,715	131,895	106,962					
After six years	194,633	237,363	224,312	227,327	152,503						
After seven years	227,065	270,468	260,894	267,671							
After eight years	253,894	339,126	310,617								
After nine years	279,714	362,062									
After ten years	307,608										
Estimated cumulative claims (including payments) as of the end of the year:											
After the first year (2)	406,428	436,469	473,068	548,988	334,431	302,358	287,444	326,968	420,773	556,103	
After two years	414,342	439,472	484,361	529,292	313,499	264,164	260,952	328,801	392,215		
After three years	415,821	455,862	482,198	518,722	297,856	254,556	262,796	267,045			
After four years	419,793	450,915	460,251	486,246	287,251	250,311	231,323				
After five years	396,310	441,541	445,785	470,748	283,349	229,968					
After six years	386,518	436,867	411,103	418,181	264,016						
After seven years	366,162	437,331	408,287	406,823							
After eight years	349,696	434,028	392,093								
After nine years	342,511	412,499									
After ten years	335,949										
Surplus relating to the first year that does not involve accrual (3)	79,872	26,973	80,975	142,165	70,415	72,390	56,121	59,923	28,558		617,392
Deviation rate in respect of the first year that does not involve accrual, in % (4)	19.0%	5.9%	16.7%	25.9%	21.1%	23.9%	19.5%	18.3%	6.8%		17.4%
The cost of cumulative claims as of December 31, 2022	335,949	412,499	392,093	406,823	264,016	229,968	231,323	267,045	392,215	556,103	3,488,034
Cumulative payments through December 31, 2022	307,608	362,062	310,617	267,671	152,503	106,962	78,545	50,786	22,252	4,332	1,663,338
Contingent claims as of end of the period	28,341	50,437	81,476	139,152	111,513	123,006	152,778	216,259	369,963	551,771	1,824,696
For years up to and including the underwriting year 2012											60,305
Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2022 - retention											1,885,001

- (1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
- (2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
- (3) Surplus relating to the first year that does not involve accrual was affected mainly from offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the valuation of property and casualty insurance claims, and from an increase in the discount rate in the reporting year. Furthermore, the surplus is also affected from the revision of the insurance liabilities due to the implementation of the ruling on discounting. See Note 41, Section 5.2.2.5.
- (4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

D.(1) Accumulated data regarding underwriting years in the compulsory motor insurance subsegment:

	Underwriting year						
	2022	2021	2020	2019	2018	2017	2016
	In NIS thousand						
For the year ended December 31, 2022:							
Gross premiums (1)	<u>716,290</u>	<u>665,287</u>	<u>583,414</u>	<u>570,659</u>	<u>566,992</u>	<u>527,566</u>	<u>478,915</u>
Comprehensive income (loss) - retention - in respect of the underwriting year (2), (3)	<u>(48,741)</u>	<u>(27,278)</u>	<u>47,537</u>	<u>62,425</u>	<u>78,593</u>	<u>73,316</u>	<u>115,010</u>
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (3)	<u>(7,663)</u>	<u>7,119</u>	<u>29,799</u>	<u>40,440</u>	<u>49,324</u>	<u>54,413</u>	<u>107,832</u>

1. The increase in premiums during the periods stems mainly from increase in scope of Company's sales.
2. The changes in retention comprehensive income since underwriting year 2017 are affected by a "quota share" reinsurance treaty.
3. The decrease in investment income over the underwriting years stems mainly from the fact that investment gains have not yet accumulated in the reporting year and in adjacent years.

D.(2) Accumulated data regarding underwriting years in the other liability insurance subsegment:

	Underwriting year						
	2022	2021	2020	2019	2018	2017	2016
	In NIS thousand						
For the year ended December 31, 2022:							
Gross premiums (1)	<u>602,182</u>	<u>575,445</u>	<u>477,526</u>	<u>434,579</u>	<u>435,040</u>	<u>401,674</u>	<u>396,826</u>
Comprehensive income (loss) - retention - in respect of the underwriting year (2)	<u>(15,324)</u>	<u>(21,230)</u>	<u>(13,705)</u>	<u>20,129</u>	<u>32,026</u>	<u>42,574</u>	<u>39,446</u>
Accumulated effect of investment income over accumulated comprehensive income - retention - in respect of underwriting year (2)	<u>(3,539)</u>	<u>3,385</u>	<u>24,974</u>	<u>39,240</u>	<u>55,327</u>	<u>56,860</u>	<u>67,802</u>

1. The increase in premium over the periods stems mainly from the professional liability and third party insurance subsegments.
2. The decrease in investment income over the underwriting years stems mainly from the fact that investment gains have not yet accumulated in the reporting year and in adjacent years.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

E.(1) Composition of comprehensive income (loss) in the compulsory motor insurance subsegment:

	Compre- hensive loss in respect of current under- writing year (1)	Compre- hensive income in respect of previous under- writing years (2)	Total compre- hensive income, gross	Compre- hensive loss in respect of current underwriting year (1)	Compre- hensive income in respect of previous underwriting years (2)	Total compre- hensive income for the year - retention
	Gross			Retention		
	In NIS thousand					
For the year ended December 31:						
2022	(75,346)	163,306	87,960	(48,741)	112,823	64,082
2021	(107,124)	194,091	86,967	(20,720)	229,875	209,155
2020	(84,634)	260,085	175,451	(8,706)	239,489	230,783

1. The increase in gross and retention comprehensive loss in respect of the current underwriting year in 2021 compared with 2022 and 2020 stems mainly from the revision of costs in the actuarial model.
2. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment gains in 2021 and 2020. Furthermore, in 2020 includes a decrease in insurance liabilities following the application of the ruling on the Discounting Regulations, at the total amount of NIS 81 million (gross) and NIS 61 million (retention).

E.(2) Composition of comprehensive income (loss) in other liability insurance subsegments:

	Compre- hensive income (loss) in respect of current under- writing year (1)	Compre- hensive income in respect of previous under- writing years (2)	Total compre- hensive income, gross	Compre- hensive loss in respect of current under- writing year (1)	Compre- hensive income in respect of previous under- writing years (2)	Compre- hensive income - retention
	Gross			Retention		
	In NIS thousand					
For the year ended December 31:						
2022	12,619	77,585	90,204	(15,324)	104,230	88,906
2021	7,563	246,744	254,307	(28,907)	217,257	188,350
2020	(3,674)	218,201	214,527	(38,059)	183,802	145,743

1. The transition from gross comprehensive loss to gross comprehensive income in respect of current underwriting year in 2022 and 2021 compared with 2020 stems mainly from an improvement in profitability of the professional liability insurance subsegment. The change in retention stems mainly from the employers' liability insurance and third-party insurance subsegment.
2. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment gains in 2021 and 2020.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(1) Assessment of development in estimated contingent claims - gross- in the property and other insurance subsegments:

	As of December 31, 2022										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	In NIS thousands, adjusted to the November 2022 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	622,212	626,088	753,985	700,788	720,601	760,419	764,177	785,242	857,342	1,105,499	
After two years	933,559	810,042	1,028,968	925,523	931,174	1,005,908	1,008,229	987,338	1,152,524		
After three years	1,014,012	847,040	1,055,161	956,854	957,207	1,046,049	1,037,408	1,016,529			
After four years	1,036,193	864,748	1,065,875	970,291	977,638	1,059,378	1,053,364				
After five years	1,042,866	870,468	1,071,893	973,291	981,551	1,066,192					
After six years	1,047,602	872,426	1,073,990	974,986	985,275						
After seven years	1,050,924	876,141	1,071,881	980,396							
After eight years	1,057,579	884,350	1,073,100								
After nine years	1,056,184	887,687									
After ten years	1,059,217										
Cumulative claims (including payments):											
After the first year	1,071,395	907,908	1,102,798	1,046,689	1,074,123	1,177,239	1,145,360	1,171,728	1,282,277	1,543,581	
After two years	1,114,372	907,561	1,110,803	1,027,341	1,030,888	1,116,222	1,104,046	1,088,555	1,239,667		
After three years	1,089,031	901,716	1,099,191	1,018,730	999,147	1,095,569	1,083,678	1,057,918			
After four years	1,070,763	901,869	1,090,382	986,724	999,599	1,076,683	1,078,307				
After five years	1,081,992	903,954	1,090,903	991,034	1,016,126	1,100,217					
After six years	1,088,920	904,242	1,085,202	982,876	991,701						
After seven years	1,073,655	891,131	1,079,915	983,588							
After eight years	1,071,768	892,261	1,079,647								
After nine years	1,064,388	893,502									
After ten years	1,061,281										
Estimated cumulative costs, as of December 31, 2022	1,061,281	893,502	1,079,647	983,588	991,701	1,100,217	1,078,307	1,057,918	1,239,667	1,543,581	11,029,409
Cumulative payments through December 31, 2022	1,059,217	887,687	1,073,100	980,396	985,275	1,066,192	1,053,364	1,016,529	1,152,524	1,105,499	10,379,783
Outstanding contingent claims	<u>2,064</u>	<u>5,815</u>	<u>6,547</u>	<u>3,192</u>	<u>6,426</u>	<u>34,025</u>	<u>24,943</u>	<u>41,389</u>	<u>87,143</u>	<u>438,082</u>	649,626
Contingent claims for the years up to and including damage year 2012											23,066
Total gross contingent claims in the subsegment as of December 31, 2022											672,692

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

F.(2) Assessment of development in estimated contingent claims - retention - in the property and other insurance subsegments:

	As of December 31, 2022										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	In NIS thousands, adjusted to the November 2022 CPI (*)										
Claims paid (cumulative) as of the end of the year:											
After the first year	535,762	544,709	633,555	631,233	616,132	620,287	638,851	637,922	740,350	972,746	
After two years	700,527	683,039	818,765	809,068	776,290	770,722	813,834	768,528	969,614		
After three years	719,027	700,842	837,441	832,232	800,028	791,441	832,696	784,982			
After four years	727,389	708,404	845,062	842,225	809,731	800,474	838,335				
After five years	731,646	710,611	848,141	845,506	812,953	803,751					
After six years	734,149	712,585	849,427	846,937	815,260						
After seven years	735,774	714,827	846,203	847,464							
After eight years	736,580	717,302	845,876								
After nine years	735,404	719,649									
After ten years	734,782										
Cumulative claims (including payments):											
After the first year	782,089	746,034	860,663	878,800	876,524	872,208	897,828	888,430	1,040,694	1,310,921	
After two years	760,956	724,815	866,982	862,651	828,080	822,195	871,289	821,913	1,019,808		
After three years	747,666	722,065	860,454	857,153	818,151	816,840	853,301	802,348			
After four years	742,562	718,958	856,730	851,214	820,888	811,082	846,449				
After five years	746,210	717,733	855,757	854,250	829,866	823,810					
After six years	749,150	717,753	851,862	848,461	817,178						
After seven years	737,952	716,760	847,187	847,959							
After eight years	738,072	718,683	846,486								
After nine years	736,922	721,188									
After ten years	734,956										
Estimated cumulative costs, as of December 31, 2022	734,956	721,188	846,486	847,959	817,178	823,810	846,449	802,348	1,019,808	1,310,921	8,771,103
Cumulative payments through December 31, 2022	734,782	719,649	845,876	847,464	815,260	803,751	838,335	784,982	969,614	972,746	8,332,459
Outstanding contingent claims	174	1,539	610	495	1,918	20,059	8,114	17,366	50,194	338,175	438,644
Contingent claims for the years up to and including damage year 2012											2,602
Total contingent claims in the subsegment as of December 31, 2022 - retention											441,246

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures

Data as at December 31, 2022:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
	Until 1990 (*)	Until 2003	Since 2004		Individual	Group	Total
			Non yield- dependent	Yield- dependent			
In NIS thousand							
1. By insurance exposure:							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	410,360	17,531	-	470,455	-	-	898,346
Annuity with guaranteed coefficients:							
Until May 2001	3,001,747	22,157,317	-	-	-	-	25,159,064
From June 2001	-	3,693,943	-	28,008,454	-	-	31,702,397
Annuity paid	2,448,165	3,226,418	-	1,032,505	17,248	-	6,724,336
Equity (without an option for annuity)	4,707,964	4,586,330	-	2,309,207	-	-	11,603,501
Supplementary reserve for pension (**)	654,466	1,180,966	-	34,090	-	-	1,869,522
Other risk factors	50,212	521,317	-	449,339	915,061	135,842	2,071,771
Total in respect of insurance contracts	11,272,914	35,383,822	-	32,304,050	932,309	135,842	80,028,937
Liabilities in respect of investment contracts	-	-	-	20,815,236	-	-	20,815,236
Total	11,272,914	35,383,822	-	53,119,286	932,309	135,842	100,844,173
2. By financial exposure:							
Yield-dependent	111,021	35,087,169	-	52,837,013	281,118	5,773	88,322,094
Non yield-dependent	11,161,893	296,653	-	282,273	651,191	130,069	12,522,079
Total	11,272,914	35,383,822	-	53,119,286	932,309	135,842	100,844,173

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,762 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 41, Section 5.1.2(4).

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures (cont.)

Data as at December 31, 2021:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
	Until 1990 (*)	Until 2003	Since 2004		Individual	Group	Total
			Non yield-dependent	Yield-dependent			
1. By insurance exposure:							
Liabilities in respect of insurance contracts							
Annuity without guaranteed coefficients	393,069	19,896	-	556,715	-	-	969,680
Annuity with guaranteed coefficients:							
Until May 2001	2,884,039	23,725,953	-	-	-	-	26,609,992
From June 2001	-	4,010,965	-	29,668,531	-	-	33,679,496
Annuity paid	2,426,633	3,066,858	-	966,440	17,298	-	6,477,229
Equity (without an option for annuity)	4,485,612	5,221,825	-	2,445,876	-	-	12,153,313
Supplementary reserve for pension (**)	1,000,238	1,308,225	-	31,129	-	-	2,339,592
Other risk factors	57,148	540,920	-	447,357	867,404	125,272	2,038,101
Total in respect of insurance contracts	11,246,739	37,894,642	-	34,116,048	884,702	125,272	84,267,403
Liabilities in respect of investment contracts	-	-	-	17,367,786	-	-	17,367,786
Total	11,246,739	37,894,642	-	51,483,834	884,702	125,272	101,635,189
2. By financial exposure:							
Yield-dependent	152,528	37,621,190	-	51,205,570	294,719	5,969	89,279,976
Non yield-dependent	11,094,211	273,452	-	278,264	589,983	119,303	12,355,213
Total	11,246,739	37,894,642	-	51,483,834	884,702	125,272	101,635,189

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary reserve for pension, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,539 million reserve that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For further details, see Note 41, Section 5.1.2(4).

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy

Data for the year ended December 31, 2022:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component as a single policy		
	Until 1990 (1)	Until 2003	Since 2004		Individual	Group	Total
			Non yield- dependent	Yield- dependent			
Gross premiums:							
Traditional/ mixed	18,310	11,225	-	-	-	-	29,535
Savings component	34,744	1,022,111	-	3,460,607	-	-	4,517,462
Other	5,817	148,804	-	169,999	617,400	122,179	1,064,199
Total	58,871	1,182,140	-	3,630,606	617,400	122,179	5,611,196
Financial margin including management fees (2)	57,890	206,820 (3)	-	380,001	-	-	644,711
Payments and change in liabilities in respect of insurance contracts, gross	465,040	(915,658)	-	1,178,225	337,718	104,553	1,169,878
Payments and change in liabilities for investment contracts	-	-	-	(1,243,690)	-	-	(1,243,690)
Total liabilities							(73,812)
Profit (loss) from life insurance business	568,976	(11,941)	-	8,568	12,932	13,304	591,839
Other comprehensive income (loss) from life insurance business	16,634	(38)	-	490	409	1,428	18,923
Total comprehensive income (loss) from life insurance and savings business	585,610 (4)	(11,979)(4)	-	9,058	13,341	14,732	610,762
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	7,335,455	-	-	7,335,455
Annualized premium for insurance contracts - new business	-	462	-	66,725	38,483	-	105,670
One-off premium for insurance contracts	-	3,754	-	1,694,895	-	-	1,698,649
Annualized premium for investment contracts - new business	-	-	-	30,464	-	-	30,464
One-off premium for investment contracts	-	-	-	7,090,856	-	-	7,090,856
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,554,756	-	-	1,554,756
Transfers from the Company in respect of insurance contracts and investment contracts	21,588	600,326	-	2,223,138	-	-	2,845,052

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2022 (cont.):

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of December 31, 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 643 million. As of the report publication date, the estimated management fees which will not be collected amounted to approximately NIS 728 million.
4. Includes a profit in respect of the effect of the changes in assumptions, mortality rates, discount interest rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 671 million. For further details, see Note 41, Section 5.1.8.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2021:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
	Until 1990 (1)	Until 2003	Since 2004		Individual	Group	Total
			Non yield-dependent	Yield-dependent			
			In NIS thousand				
Gross premiums:							
Traditional/ mixed	21,138	12,397	-	-	-	-	33,535
Savings component	36,874	971,729	-	3,336,554	-	-	4,345,157
Other	6,353	153,437	-	178,150	579,192	127,011	1,044,143
Total	64,365	1,137,563	-	3,514,704	579,192	127,011	5,422,835
Financial margin including management fees (2)	824,875	869,244 (3)	-	347,578	-	-	2,041,697
Payments and change in liabilities in respect of insurance contracts, gross	767,923	6,617,590	-	7,778,546	209,818	118,551	15,492,428
Payments and change in liabilities for investment contracts	-	-	-	1,595,295	-	-	1,595,295
Total liabilities							17,087,723
Profit from life insurance and savings business	543,953	662,379	-	563	175,649	21,579	1,404,123
Other comprehensive income (loss) from life insurance and savings business	108,930	1,734	-	8,759	7,710	3,415	130,548
Total comprehensive income (loss) from life insurance and savings business	652,883 (4)	664,113(4)	-	9,322	183,359	24,994	1,534,671
Proceeds in respect of investment contracts credited directly to insurance reserves	-	-	-	7,757,707	-	-	7,757,707
Annualized premium for insurance contracts - new business	-	485	-	72,143	71,686	-	144,314
One-off premium for insurance contracts	-	3,375	-	1,483,084	-	-	1,486,459
Annualized premium for investment contracts - new business	-	-	-	51,552	-	-	51,552
One-off premium for investment contracts	-	-	-	7,511,084	-	-	7,511,084
Transfers to the Company in respect of insurance contracts and investment contracts	-	-	-	1,145,399	-	-	1,145,399
Transfers from the Company in respect of insurance contracts and investment contracts	26,274	506,769	-	1,733,009	-	-	2,266,052

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2021 (cont.):

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. In 2021, variable management fees in respect of participating policies in the amount of approximately NIS 681 million were charged.
4. The profit includes a profit in respect of the effect of the changes in assumptions and the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 100 million. For further details, see Note 41, Section 5.1.8.

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)

B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2020:

	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		
	Until 1990 (1)	Until 2003	Since 2004		Individual	Group	Total
			Non yield- dependent	Yield- dependent			
			In NIS thousand				
Gross premiums:							
Traditional/ mixed	25,548	14,429	-	-	-	-	39,977
Savings component	39,999	959,499	-	2,682,021	-	-	3,681,519
Other	7,473	159,504	-	188,620	563,776	124,684	1,044,057
Total	<u>73,020</u>	<u>1,133,432</u>	<u>-</u>	<u>2,870,641</u>	<u>563,776</u>	<u>124,684</u>	<u>4,765,553</u>
Financial margin including management fees (2)	<u>185,503</u>	<u>466,855 (3)</u>	<u>-</u>	<u>269,041</u>	<u>-</u>	<u>-</u>	<u>921,399</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>439,848</u>	<u>2,783,738</u>	<u>-</u>	<u>4,457,267</u>	<u>261,625</u>	<u>112,290</u>	<u>8,054,768</u>
Payments and change in liabilities for investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,590</u>	<u>-</u>	<u>-</u>	<u>423,590</u>
Total liabilities							<u>8,478,358</u>
Profit (loss) from life insurance and savings business	95,404	565,412	-	(75,475)	73,978	12,935	672,254
Other comprehensive income (loss) from life insurance and savings business	<u>12,786</u>	<u>(4,755)</u>	<u>-</u>	<u>573</u>	<u>(2,412)</u>	<u>540</u>	<u>6,732</u>
Total comprehensive income (loss) from life insurance and savings business	<u>108,190(5)</u>	<u>560,657(4)(5)</u>	<u>-</u>	<u>(74,902)</u>	<u>71,566</u>	<u>13,475</u>	<u>678,986</u>
Proceeds in respect of investment contracts credited directly to insurance reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,945,751</u>	<u>-</u>	<u>-</u>	<u>1,945,751</u>
Annualized premium for insurance contracts - new business	<u>-</u>	<u>469</u>	<u>-</u>	<u>96,997</u>	<u>77,765</u>	<u>-</u>	<u>175,231</u>
One-off premium for insurance contracts	<u>-</u>	<u>2,605</u>	<u>-</u>	<u>776,407</u>	<u>-</u>	<u>-</u>	<u>779,012</u>
Annualized premium for investment contracts - new business	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,623</u>	<u>-</u>	<u>-</u>	<u>31,623</u>
One-off premium for investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,703,162</u>	<u>-</u>	<u>-</u>	<u>1,703,162</u>
Transfers to the Company in respect of insurance contracts and investment contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,983</u>	<u>-</u>	<u>-</u>	<u>720,983</u>
Transfers from the Company in respect of insurance contracts and investment contracts	<u>13,949</u>	<u>297,149</u>	<u>-</u>	<u>1,186,039</u>	<u>-</u>	<u>-</u>	<u>1,497,137</u>

NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE INSURANCE AND LONG TERM SAVINGS SEGMENT (cont.)**B. Breakdown of results by type of policy (cont.)**

Data for the year ended December 31, 2020 (cont.):

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional income of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment income less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment income also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of September 30, 2020, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approximately NIS 101 million; this amount was offset against management fees in the fourth quarter of 2020.
4. The profit includes a profit in respect of a change in the K value, amounting to approximately NIS 261 million, before tax.
5. The profit includes a profit in respect of the effect of the changes in assumptions and the effect of the change in the discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approximately NIS 41 million. For further details, see Note 41, Section 5.1.8.

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT

A. Breakdown of insurance liabilities by financial exposure

	Data as at December 31, 2022				Total
	Long-term care		Other (3)		
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Yield-dependent	508,283	5,225,874	-	-	5,734,157
Other	1,582,983	1,830,236	1,336,676	34,812	4,784,707
Total	2,091,266	7,056,110	1,336,676	34,812	10,518,864

	Data as at December 31, 2021				Total
	Long-term care		Other (3)		
	Individual	Group	Long-term	Short-term	
In NIS thousand					
Yield-dependent	533,061	5,830,757	-	-	6,363,818
Other	2,349,210	1,576,832	1,151,819	26,934	5,104,795
Total	2,882,271	7,407,589	1,151,819	26,934	11,468,613

B. Breakdown of liabilities in respect of insurance contracts by insurance exposure

	Data as at December 31, 2022				Total
	Long-term care		Other (3)		
	Individual	Group	Long-term	Short-term	
			In NIS thousand		
Annuity paid	320,406	1,514,370	-	-	1,834,776
Other risk factors	1,770,860	5,541,740	1,336,676	34,812	8,684,088
Total	2,091,266	7,056,110	1,336,676	34,812	10,518,864

	Data as of at December 31, 2021				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
	In NIS thousand				
Annuity paid	294,506	1,250,588	-	-	1,545,094
Other risk factors	2,587,765	6,157,001	1,151,819	26,934	9,923,519
Total	2,882,271	7,407,589	1,151,819	26,934	11,468,613

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

C. Breakdown of results by type of policy

	Data for the year ended December 31, 2022				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
	In NIS thousand				
Gross premiums	268,396	1,107,617	1,545,413(1)	139,110(1)	3,060,536
Payments and change in liabilities in respect of insurance contracts, gross	(660,586)	304,476	1,014,645	71,820	730,355
Profit from health insurance businesses	966,680	46,978	90,269	16,834	1,120,761
Other comprehensive income (loss) from health insurance business	-	-	552	(1,412)	(860)
Comprehensive income from health insurance businesses	966,680(2)	46,978(2)	90,821	15,422	1,119,901
Annualized individual premium - new business	67	-	114,290	-	114,357

(1) Of this, individual premiums in the amount of NIS 1,084,435 thousand and collective premiums in the amount of NIS 600,088 thousand.

	Data for the year ended December 31, 2021				
	Long-term care		Other (3)		
	Individual	Group	Long-term	Short-term	Total
	In NIS thousand				
Gross premiums	260,543	982,052	1,433,829(1)	61,440(1)	2,737,864
Payments and change in liabilities in respect of insurance contracts, gross	760,897	1,967,249	677,734	36,261	3,442,141
Profit (loss) from health insurance business	(226,341)	(13,965)	242,733	(945)	1,482
Other comprehensive income (loss) from health insurance business	-	-	6,501	255	6,756
Comprehensive income (loss) from health insurance business	(226,341)(2)	(13,965)(2)	249,234	(690)	8,238
Annualized individual premium - new business	56	-	109,164	-	109,220

(1) Of this, individual premiums in the amount of NIS 924,266 thousand and collective premiums in the amount of NIS 571,003 thousand.

NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

C. Breakdown of results by type of policy (cont.)

	Data for the year ended December 31, 2020				
	Long-term care		Other (3)		Total
	Individual	Group	Long-term	Short-term	
	In NIS thousand				
Gross premiums	259,764	891,730	1,521,350 (1)	83,378 (1)	2,756,222
Payments and change in liabilities in respect of insurance contracts, gross	271,231	1,224,983	796,511	78,905	2,371,630
Profit (loss) from health insurance business	65,851	(22,396)	227,792	(19,104)	252,143
Other comprehensive income (loss) from health insurance business	(24,121)	(10,620)	1,094	162	(33,485)
Comprehensive income (loss) from health insurance business	41,730(2)	(33,016)(2)	228,886	(18,942)	218,658
Annualized individual premium - new business	1,259	-	109,106	-	110,365

- (1) Of this, individual premiums in the amount of NIS 1,001,573 thousand and collective premiums in the amount of NIS 603,155 thousand.
- (2) The gain in 2022 includes a NIS 984 million decrease in LAT reserve, and in 2021 and 2020 it includes an increase of NIS 487 million and NIS 48 million, respectively, in LAT reserve. For further details, please see Note 41, Section 5.1.8.
- (3) The most material coverage included in other long-term health insurance in each of the years 2020-2022 is medical expenses; in short-term health insurance - travel insurance.

NOTE 22 - CHANGE IN GROSS LIABILITIES IN RESPECT OF YIELD-DEPENDENT AND NON-YIELD-DEPENDENT LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE CONTRACTS

	Life insurance and savings			Health insurance	Reinsurance assets in health insurance
	Insurance contracts	Investment contracts	Total		
Balance as of January 1, 2021	73,860,690	9,891,066	83,751,756	9,488,333	508,007
Interest, linkage differences and investment gains (1)	10,102,962	1,595,295	11,698,257	1,080,143	-
Increase in premiums charged to liabilities (2)	4,644,916	7,455,395	12,100,311	1,036,791	-
Decrease in respect of management fees on accruals	(1,132,458)	(88,085)	(1,220,543)		-
Decrease in respect of claims, redemptions and end of term	(3,313,548)	(1,485,885)	(4,799,433)	(3,787)	-
Changes due to change in assumptions (3)	(80,471)	-	(80,471)	72,018	(90,996)
Other changes (4)	185,312	-	185,312	(204,885)	45,550
Balance as of December 31, 2021	84,267,403	17,367,786	101,635,189	11,468,613	462,561
Interest, linkage differences and investment gains (1)	(3,326,450)	(1,243,690)	(4,570,140)	(617,417)	-
Increase in premiums charged to liabilities (2)	4,840,139	7,005,144	11,845,283	1,153,515	-
Decrease in respect of management fees on accruals	(450,995)	(139,858)	(590,853)	-	-
Decrease in respect of claims, redemptions and end of term	(4,305,334)	(2,174,146)	(6,479,480)	(2,648)	-
Changes due to change in assumptions (3)	(111,358)	-	(111,358)	(48,429)	(11,050)
Other changes (4)	(884,468)	-	(884,468)	(1,434,770)	106,644
Balance as of December 31, 2022	80,028,937	20,815,236	100,844,173	10,518,864	558,155

- (1) Interest, linkage differences and investment gains - this line item includes interest, linkage differences and investment gains in respect of the balance as of the beginning of the year, plus interest, linkage differences and investment gains in respect of premiums paid solely for savings, which were recorded in the reporting period.
- (2) Increase in respect of premiums recorded under liabilities - this premium does not include all premiums recognized as revenues by the Company. The premium includes the premiums in respect of savings and some of the premiums in fixed-premium products, net of management fees collected as a percentage of the premium.
- (3) Changes in assumptions
 Life insurance - in 2022, the change in assumptions stems from revising the assumptions as to the rate of policyholders opting for annuity and mortality rates. In 2021, the change in assumptions stems from revising the assumptions as to the rate of policyholders opting for annuity and Company's expenses.
 Health insurance - in 2022, the changes in assumptions stem from revising of assumptions as to cancellations, morbidity in accordance with the Company's experience and from revising the assumption as to the Company's expenses. In 2021, the changes in assumptions stem from revising of assumptions as to cancellations, mortality and morbidity in accordance with the Company's experience and from revising the assumption as to the Company's expenses.
- For further details regarding the change in liabilities (retention), please see Note 41, Section 5.1.10.
- (4) Other changes - the line item includes changes in the contingent claims reserve, reserve for periodic claims, IBNR, paid annuities etc. (in accordance with the assumptions used at the end of the previous year). The line item also includes the effect of interest, linkage differences and investment gains not included under the "interest, linkage differences and investment gains" item, such as: interest, linkage differences and investment gains on claim payments and non-saving premiums.

NOTE 23 - INCOME TAXES

A. Tax laws applicable to the Group companies

1. General

- A. The income of the Company and all Group companies is subject to corporate tax in accordance with the Income Tax Ordinance (hereinafter: the "Ordinance"). Furthermore, the income of Group companies classified as "Financial Institutions" as defined in the Value Added Tax Law, 1975 is subject to profit tax and payroll tax. It should be noted that the operations of companies classified as financial institutions in the insurance, pension and provident and finance subsegments constitute most of the Group's operations.
- B. As of 2008, results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the CPI in the period up to December 31, 2007. Adjustments relating to capital gains continue to apply until profit realization date.

2. Tax arrangements unique to the insurance industry

A. Agreement with the tax authorities

- 1. Israel Insurance Association and the tax authorities have in place sectoral agreements which address tax issues unique to the industry (hereinafter - the "Tax Agreement"). The latest sectoral agreement signed between the tax authorities and the Life Insurance Association is in respect of tax years 2017-2019. The accounting treatment applied to the tax line items in the financial statements is based on the said agreements.

The sectoral agreements address, among other things, the following issues:

- A. Deferred Acquisition Costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to canceled life insurance contracts shall be deductible for tax purposes in the cancellation year.
Purchase expenses in respect of pension and provident funds contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 shall be deductible for tax purposes in equal shares over 10 years or in accordance with the period over which they are expensed in the books of accounts, as decided by the insurance company. The expense in respect of pension and provident funds contracts cannot be brought forward.
Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized over a six-year period, in accordance with their amortization period as per the books of accounts.
- B. Attribution of expenses to preferred income - expenses will be attributed to income subject to reduced tax rates and to tax-exempt income earned by insurance companies (hereinafter - "Preferred Income"), which will result with some of the Preferred Income becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Income.

NOTE 23 - TAXES ON INCOME (cont.)

A. Tax laws applicable to the Group companies (cont.)

2. Tax arrangements unique to the insurance industry (cont.)

A. Agreement with the tax authorities (cont.)

1. (cont.)

- C. The method employed to tax income from assets held as investments matches yield-dependent liabilities.
 - D. Provision for indirect expenses for settling claims - from 2013 to 2020, some of the increase in the provision shall be adjusted, and the adjustment amount shall be recognized for tax purposes over the next three tax years.
 - E. Provision for expenses in respect of the application of the recommendations of the Winograd Committee - The method of recognition for tax purposes was agreed in respect of provisions made by the insurance companies in the financial statements for the years 2016-2018 in respect of the implementation of the recommendations of the Winograd Committee, which were canceled, in most cases, in 2019 as follows: The agreement stipulates that in 2016 10% of the decrease in the reserves recorded in the year 2019 (hereinafter - the "Adjustment Amount"), or 10% of the increase in the reserve in the year 2016 will be adjusted, whichever is lower. The amount adjusted will be recognized as an expense in 2019. In addition, a provision has been set for adjustment and recognition of any difference between the adjusted amount and the amount to be adjusted in 2016.
 - F. Provision for LAT that was recognized in retained earnings as of December 31, 2019 - it was agreed that the provision for LAT that was recognized in retained earnings as of December 31, 2019, which originates in respect of 2019, will be included as taxable income as early as 2019, and the remaining amount in respect of the years through 2018 will be included as taxable income only in 2020.
 - G. It was agreed to provide additional details regarding investments of insurance companies in partnerships, as from the 2021 tax report.
2. The Economic Arrangements Law (Legislative Amendments for the Implementation of the Budgetary Targets and Economic Policy for the 2007 Fiscal Year), 2007 of January 11, 2007 sets out rules regarding the tax that applies to the cancellation of the reserve for extraordinary risks in life insurance, which was included in the financial statements through December 31, 2006. According to the rules, a portion of the reserve, which is calculated at 0.17% of the amount of the insurance at risk (retention) in life insurance, and respect of which the capital requirement was defined, shall be tax-exempt. The sectoral taxation agreement indicates that the basis for the exemption is the capital requirement, which is reflected as stated above; it is further indicated that if the capital requirement will be canceled or reduced, the parties shall discuss the tax consequences of such a change, if any.

NOTE 23 - TAXES ON INCOME (cont.)

B. Tax rates applicable to the Group companies

- The statutory tax applicable to financial institutions, including The Phoenix Insurance Company, which constitutes most of the Group's activities, is composed of corporate tax and profit tax.
- Set forth below is the statutory tax rates applicable to the Group companies:

	<u>Corporate tax rate</u>	<u>Profit tax rate %</u>	<u>Total tax rate in financial institutions</u>
Year			
From 2020	23	17.00	34.19

C. Tax assessments

The Company and most of the consolidated companies has tax assessments, which are considered to be final through tax year 2017, in accordance with Section 145 of the Income Tax Ordinance.

The Phoenix Insurance has tax assessments that are considered final up to and including the 2019 tax year.

D. Losses carried forward for tax purposes

The Company has carry forward business losses totaling approximately NIS 138,838 thousand and NIS 170,087 thousand as of December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022, the balance of tax asset in respect of those losses amounts to approximately NIS 9 million.

The consolidated companies, except KSM Mutual Funds, as outlined below, have carry forward business losses totaling approximately NIS 299,719 thousand and NIS 304,173 thousand as of December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022, the balance of tax asset amounts to approximately NIS 46 million.

KSM Mutual Funds has carry forward business losses totaling approximately NIS 432 million and NIS 465 million as of December 31, 2022 and December 31, 2021, respectively. As of December 31, 2022, the balance of tax asset amounts to approximately NIS 43 million.

The tax assets amount is equal to the balances of losses that can be offset in the foreseeable future.

In addition, the consolidated companies have carry forward capital losses totaling approximately NIS 93,980 thousand and NIS 90,899 thousand as of December 31, 2022 and December 31, 2021, respectively.

E. Taxes on income included in the income statements

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Current taxes	721,553	677,911	584,712
Deferred taxes in respect of the creation and reversal of temporary differences (see also Section I below)	(210,066)	(6,876)	(33,967)
Taxes for previous years	(7,151)	2,519	3,084
Taxes on income	<u>504,336</u>	<u>673,554</u>	<u>553,829</u>

NOTE 23 - TAXES ON INCOME (cont.)
F. Taxes on income relating to other comprehensive income line items

	For the year ended		
	December 31		
	2022	2021	2020
	In NIS thousand		
In respect of available-for-sale financial assets	(133,322)	179,619	89,697
Actuarial gain (loss) in respect of defined benefit plans	1,044	(866)	207
Revaluation of property, plant, and equipment	28,558	6,752	3,983
	<u>(103,720)</u>	<u>185,505</u>	<u>93,887</u>

G. Taxes on income relating to equity line items

	For the year ended		
	December 31		
	2022	2021	2020
	In NIS thousand		
Share-based payment	<u>2,362</u>	<u>(13,083)</u>	<u>(3,155)</u>

NOTE 23 - TAXES ON INCOME (cont.)**H. Deferred taxes**

Composition:

	Deferred acquisition costs	Available- for-sale financial assets	Property, plant and equipment and investment property	Losses for tax purposes (1)	Intangible assets (2)	Other (3)	Total
In NIS thousand							
Balance of deferred tax asset (liability) as of January 1, 2021	(88,868)	(274,522)	(441,599)	52,938	(50,850)	(39,799)	(842,700)
Changes carried to profit and loss	12,447	(19,155)	(49,603)	2,990	14,344	45,853	6,876
Changes carried to other comprehensive income	-	(179,619)	(6,752)	-	-	866	(185,505)
Changes carried to equity	-	-	-	-	-	13,083	13,083
Additions in respect of a company consolidated for the first time	655	(77)	426	40,086	(89,585)	4,936	(43,559)
Derecognitions in respect of loss of control	-	-	264,914	-	-	(18,761)	246,153
Balance of deferred tax asset (liability) as of December 31, 2021	(75,766)	(473,373)	(232,614)	96,014	(126,091)	6,178	(805,652)
Changes carried to profit and loss	21,237	177,907	(2,460)	2,082	15,383	(4,083)	210,066
Changes carried to other comprehensive income	-	133,322	(28,558)	-	-	(1,044)	103,720
Changes carried to equity	-	-	-	-	-	(2,362)	(2,362)
Additions in respect of companies consolidated for the first time	-	-	-	-	(23,020)	-	(23,020)
Balance of deferred tax asset (liability) as of December 31, 2022	<u>(54,529)</u>	<u>(162,144)</u>	<u>(263,632)</u>	<u>98,096</u>	<u>(133,728)</u>	<u>(1,311)</u>	<u>(517,248)</u>

- (1) Please see Section D above.
- (2) The balance includes amounts in respect of tax reserve for intangible assets in respect of companies consolidated for the first time; for more information, see Note 4 and Note 5D.
- (3) The remaining amounts stem mainly from tax reserves in respect of investees accounted for by the equity method, and employee benefits.

Deferred taxes are presented in the balance sheet as follows:

	As of December 31	
	2022	2021
In NIS thousand		
Deferred tax assets	72,649	67,650
Liability in respect of deferred taxes	<u>(589,897)</u>	<u>(873,302)</u>
	<u>(517,248)</u>	<u>(805,652)</u>

NOTE 23 - TAXES ON INCOME (cont.)

I. Theoretical tax

Set forth below is a reconciliation between the tax amount that would have applied had all income and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the taxes on income amount recognized in the income statement:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Profit before taxes on income	1,854,280	2,697,466	1,762,764
Statutory tax rate applicable to financial institutions (see B(5) above)	34.19%	34.19%	34.19%
Tax calculated according to total statutory tax rate	633,978	922,264	602,689
Deduction due to non-application of profit tax to companies which are not financial institutions (1)	(57,723)	(71,553)	(41,134)
Increase (decrease) in taxes on income resulting from the following factors:			
Non-deductible expenses and tax exempt income	8,180	(1,812)	1,126
Group's share in associates' profits	(20,463)	(36,653)	(8,916)
Measurement basis differences	1,056	(400)	447
Other losses and differences for which deferred taxes were not created (2)	(29,667)	(54,347)	(60,918)
Differences in respect of investees (3)	(24,326)	(85,967)	58,190
Taxes for previous years	(7,151)	2,519	3,084
Other	452	(497)	(739)
Taxes on income	504,336	673,554	553,829
Average effective tax rate	27.20%	24.97%	31.42%

- (1) Stems mainly from Company's profits in its separate financial statements and subsidiaries, whose tax rate is lower than 34.19%.
- (2) 2022 - mainly in respect of first-time creation of a tax asset in the Company's separate financial statements at the total amount of NIS 9 million, and the utilization of carry forward losses totaling approximately NIS 7 million. Furthermore, the creation a tax asset in Excellence Investment Management and Securities Ltd. in respect of carry forward losses totaling approximately NIS 8 million. And from revaluation of investment property at a tax rate of 23%.
2021 - mainly in creating an additional tax asset in KSM in respect of carry forward losses totaling approximately NIS 24 million, and utilization of carry forward losses in the Company's separate financial statements at the total amount of NIS 14 million. And from revaluation of investment property at a tax rate of 23%.
2020 - mainly in respect of the effect of revising the sectoral insurance agreement with the tax authorities regarding the manner of recognizing the retrospective application of the LAT Circular (for further details, please see Section A2 above). This difference was recorded against a decrease in payroll tax receivable as well as in respect of the first-time creation of a tax asset by Excellence Investment Management and Securities Ltd. in respect of carryforward losses totaling approximately NIS 18 million, and the creation of an additional tax asset in KSM in respect of carry forward losses totaling approximately NIS 14 million.
- (3) 2022 - mainly in respect of profits from assuming control in The Phoenix Capital and Dorbit, which are not subject to corporate tax; for more information, see Note 4.
2021 - mainly in respect of profit arising from assuming control in Gama, which is exempted from corporate tax, and in respect of utilization of tax reserve in respect of the sale of Ad 120; for more information, see Note 8E above.
2020 - first-time creation of a tax reserve in respect of the intention to sell Ad 120, and in respect of creating a tax reserve in respect of an expected dividend from The Phoenix Agencies, which is subject to profit tax, offset against tax-exempt one-off profit from obtaining control in Oren Mizrach; for further details, please see Note 8E above.

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and severance pay benefits.

The Note does not include share-based employee benefits; for information about share-based payment, see Note 37 regarding share-based payments.

For more information about benefits to key management personnel, see Note 42 regarding related and interested parties.

Post-employment benefits

Under labor laws in Israel and the Israeli Severance Pay Law, the Company is required to pay severance pay to employees upon dismissal or retirement, or to make regular contributions to defined contribution plans in accordance with Section 14 of the Severance Pay Law, as described below. The Company's liability in respect of the above is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary and employment period that give rise to the right to receive severance pay.

Post-employment employee benefits are normally funded by contributions classified as a defined benefit plan or as a defined contribution plan as described below.

1. Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 apply to some of the severance pay payments; pursuant to that section, the Group's regular contributions to pension funds and/or insurance policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. These contributions and contributions in respect of pension constitute defined contribution plans.

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Expenses in respect of defined contribution plan	<u>112,169</u>	<u>99,634</u>	<u>91,955</u>

2. Defined benefit plan

The portion of the severance pay payments which is not covered by contributions to defined contribution plans as described above is accounted for by the Group as a defined benefit plan under which a liability is recognized in respect of employee benefits, and the Group deposits amounts with central severance pay funds and qualifying insurance policies in respect of that liability.

	December 31	
	2022	2021
	In NIS thousand	
Liabilities in respect of unfunded defined benefit plan	833	2,371
Liability in respect of funded defined benefit plan (see Section A)	<u>50,006</u>	<u>53,885</u>
Total liabilities in respect of defined benefit plan	<u>50,839</u>	<u>56,256</u>
Less fair value of plan assets (please see Section B2 below)	<u>22,184</u>	<u>24,344</u>
Total liability, net for defined benefit plans	<u>28,655</u>	<u>31,912</u>
Short-term benefits	<u>38,012</u>	<u>40,489</u>
Total liability for employee benefits, net	<u>66,667</u>	<u>72,401</u>

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)
A. Changes in the present value of a liability in respect of a defined benefit plan

	As of December 31	
	2022	2021
	In NIS thousand	
Balance as of January 1	53,885	44,302
Expenses charged to profit and loss:		
Cost of interest	1,324	986
Cost of current service	1,486	2,341
Cost of past service	-	123
Actuarial gain, net recognized in other comprehensive income:		
Actuarial losses (gains) arising from changes in the demographic assumptions	16	-
Actuarial losses arising from changes in financial assumptions	(1,825)	654
Other actuarial gains (losses)	(1,973)	3,176
Additional changes:		
Benefits paid	(5,646)	(1,571)
Commencement of consolidation	2,739	3,874
Balance as of December 31	<u>50,006</u>	<u>53,885</u>

B. Changes in the present value of a assets in respect of a defined benefit plan
1. Plan assets

Plan assets include assets held by the long-term employee benefits fund and by qualifying insurance policies.

2. Change in fair value of plan assets:

	As of December 31	
	2022	2021
	In NIS thousand	
Balance as of January 1	24,344	19,577
<u>Expenses charged to profit and loss</u>		
Interest income	583	472
<u>Actuarial loss, net recognized in other comprehensive income:</u>		
Actual yield, less interest income (expenses)	(99)	948
<u>Additional changes:</u>		
Plan contributions by employers	785	1,200
Benefits paid	(3,582)	(319)
Commencement of consolidation	153	2,466
Balance as of December 31	<u>22,184</u>	<u>24,344</u>

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

C. Main actuarial assumptions in determining the liability for the defined benefit plan

	2022	2021
	%	
Discount rate on December 31 (*)	2.50	0.10
Rate of expected real wage increase	1.50	1.50
Expected inflation rate	2.60	2.50

(*) The discount rate is based on high-quality CPI-linked corporate bonds.

D. Amounts, timing and uncertainties of future cash flows

Set forth below are potential changes that are considered to be reasonable as of the end of the reporting period for each actuarial assumption, assuming that all other actuarial assumptions remain unchanged:

	2022	2021
	In NIS thousand	
<u>Sensitivity test to the change in the rate of expected real wage increase</u>		
The change is the result of:		
1% increase in salaries	11,140	13,980
<u>Sensitivity test to changes in the liability discount rate:</u>		
The change is the result of:		
1% increase in the discount rate	8,108	8,438
1% decrease in the discount rate	11,261	14,000

E. Expenses charged to profit and loss

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Cost of current service	1,486	2,341	1,833
Cost of interest	1,324	986	909
Cost of past service	-	123	-
Interest income in respect of plan assets	(583)	(472)	(298)
	<u>2,227</u>	<u>2,978</u>	<u>2,444</u>

F. Increasing the retirement age of women

On November 18, 2021, The Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2021 and 2022), 2021, which prescribes a gradual increase in women's retirement age to 65. The change in retirement age constitutes a change in defined benefit plan which is recognized as a past service cost.

NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

G. Collective agreement

In December 2021, a new collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between The Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "Histadrut"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with The Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "Agreement"); the two companies jointly: "Phoenix".

In accordance with the new collective agreement, the provisions of the previous collective agreements in The Phoenix Insurance will continue to apply during the term of the Agreement, and in The Phoenix Pension and Provident they were applied as from January 1, 2022, except for changes defined in the new agreement, the principal points of which are:

Pay rises - during the period of the Agreement, The Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.

Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.

Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

Annual bonus - should The Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, The Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If The Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.

Dental and health insurance - The Phoenix shall take steps to insure its employees under a collective dental insurance policy, and will work to improve the existing health insurance at an overall cost of NIS 5 million per year.

Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters that were settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is NIS 23.6 million. The estimated average annual cost of the annual bonuses expected to be awarded in respect of 2021, 2022 and 2023, assuming that 100% of the profit targets of the relevant years will be fulfilled will be NIS 28.9 million per year.

It should be noted that some of the aforesaid amounts are in lieu of workforce-related expenses that Phoenix would have incurred even if this agreement had not been signed. Furthermore, it is hereby clarified that the said data do not include estimated costs in respect of benefits whose materialization is uncertain, including Phoenix's generating profits that exceed that profit target to be set for that year.

NOTE 25 - PAYABLES AND CREDIT BALANCES

	As of December 31	
	2022	2021
	In NIS thousand	
Employees and other liabilities in respect of compensation and salaries	133,752	171,175
Accrued expenses	287,976	243,043
Trade payables	198,049	156,340
Government institutions and authorities	150,863	125,254
Liabilities to investees and interested parties	22,815	13,985
Deferred acquisition costs in respect of reinsurance	83,863	87,162
Insurance companies and insurance brokers:		
Deposits by reinsurers (*)	1,357,560	1,159,483
Other accounts	158,818	75,528
Total companies and insurance agents	1,516,378	1,235,011
Insurance agents	299,498	290,690
Prepaid premium	64,254	84,805
Participation in gains in collective insurance	36,122	33,817
Policyholders and planholders	245,542	94,047
Interest payable	47,451	38,798
Other liabilities	369,008	348,876
Total payables and credit balances	3,455,571	2,923,003

For a breakdown of assets and liabilities by linkage bases, please see Note 41.

For payables and credit balances that constitute related parties, please see Note 42.

NOTE 26 - LIABILITIES IN RESPECT OF STRUCTURED PRODUCTS

A. Set forth below is the composition of liabilities in respect of structured products and liabilities of special purpose consolidated companies:

	See below	December 31	
		2022	2021
		In NIS thousand	
Structured bonds	B	177,000	184,000
Amounts payable in respect of securities	E	23,698	21,000
Total		200,698	205,000

B. As of December 31, 2022, the Group has one Series of structured bonds, which was issued in a private offering.

C. Additional details on the composition of assets and liabilities of the special purpose companies

	December 31	
	2022	2021
	In NIS thousand	
Backing assets, net	201,000	206,000
Structured bonds	177,000	184,000
Amounts payable in respect of securities	23,698	21,000
	302	1,000

D. Details about the designated companies

The Company	December 31, 2022	December 31, 2021
	Holding rate (%)	
Netivim Bonds Ltd. *)	100	100

*) Illiquid structured bonds.

E. Liability of special purpose consolidated companies:

	December 31	
	2022	2020
	In NIS thousand	
1 <u>Short sale of held-for-trading securities in series accounts:</u>		
Amounts payable in respect of securities	23,698	21,000

NOTE 27 - FINANCIAL LIABILITIES

This note provides information regarding the contractual terms of financial liabilities. Additional information regarding the Group's exposure to interest, foreign currency and liquidity risks is provided in Note 41 regarding risk management.

A. Breakdown of financial liabilities

	See below	Carrying amount as of December 31		fair value as of December 31	
		2022	2021	2022	2021
		In NIS thousand			
1. Financial liabilities presented at amortized cost:					
Short-term credit from banking corporations	H	577,658	159,195	577,658	159,195
Loans from non-bank entities	H	827,333	587,500	827,333	587,500
Bonds	D-G	2,128,984	1,705,853	2,004,364	1,787,052
Subordinated bonds (1)	D-G	4,074,461	3,390,114	3,946,156	3,651,204
Subordinated bonds - additional Tier 1 capital (1)	D-G	210,536	199,810	174,768	216,995
Trade receivables for credit cards	J	1,571,513	1,433,827	1,571,513	1,433,827
Repurchase commitment (REPO) (2)		722,370	-	722,370	-
Other (3)		35,477	23,428	35,477	23,428
		<u>10,148,332</u>	<u>7,499,727</u>	<u>9,859,639</u>	<u>7,859,201</u>
2. Financial liabilities presented at fair value through profit and loss:					
Derivatives (4)		1,657,838	361,150	1,657,838	361,150
Liability for short sale of liquid securities		<u>1,189,653</u>	<u>828,576</u>	<u>1,189,653</u>	<u>828,576</u>
		<u>2,847,491</u>	<u>1,189,726</u>	<u>2,847,491</u>	<u>1,189,726</u>
Lease liability (5)		<u>109,741</u>	<u>123,229</u>		
Total financial liabilities		<u>13,105,564</u>	<u>8,812,682</u>		

- (1) The bonds were issued for the purpose of complying with the capital requirements.
- (2) In 2022, The Phoenix Insurance entered into repo agreements with foreign banks. The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction. As of balance sheet date, The Phoenix Insurance's exposure to these transactions amounts to NIS 722 million (of which NIS 245 million is in respect of yield-dependent contracts).
- (3) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.
- (4) Including financial liabilities in 2022 and 2021 in respect of yield-dependent contracts totaling approximately NIS 1,178 million and NIS 285 million, respectively.
- (5) Disclosure of fair value was not required.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

B. Details on paid interest and linkage:

	<u>Linkage base</u>	As of December 31 2022	
		Carrying amount	Interest rate
		In NIS thousand	%
<u>Financial liabilities presented at amortized cost:</u>			
	Linked to		
	foreign currency	830,370	1.15%-2%
	NIS	7,839,814	1.38%-3.85%
	CPI-linked	1,478,148	0.44%-2.25%
		<u>10,148,332</u>	

	As of December 31		
	2021		
	Linkage base	Carrying amount	Interest rate
		In NIS thousand	%
Financial liabilities presented at amortized cost:			
Linked to			
foreign currency	74,000	1.15%-2%	
NIS	5,992,477	1.38%-3.85%	
CPI-linked	1,433,250	0.44%-2.25%	
	7,499,727		

C. Financial liabilities presented at fair value

Fair value of financial liabilities by level:

The following table presents an analysis of financial liabilities presented at fair value. The different levels were defined in accordance with what is stated in Note 2.Q.

	<u>As of December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>In NIS thousand</u>			
Liability for short sale of liquid securities	1,190,653	-	-	1,190,653
Derivatives	312,204	1,333,978	10,656	1,656,838
Financial liabilities presented at fair value	<u>1,502,857</u>	<u>1,333,978</u>	<u>10,656</u>	<u>2,847,491</u>
Financial liabilities presented at amortized cost, the fair value of which is disclosed	<u>6,672,890</u>	<u>3,151,272</u>	<u>35,477</u>	<u>9,859,639</u>

	<u>As of December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>In NIS thousand</u>			
Liability for short sale of liquid securities	834,576	-	-	834,576
Derivatives	143,941	211,209	-	355,150
Financial liabilities presented at fair value	<u>978,517</u>	<u>211,209</u>	<u>-</u>	<u>1,189,726</u>
Financial liabilities presented at amortized cost, the fair value of which is disclosed	<u>5,438,256</u>	<u>2,397,517</u>	<u>23,428</u>	<u>7,859,201</u>

NOTE 27 - FINANCIAL LIABILITIES (cont.)

D. Repayment in years subsequent to the reporting date:1. Subordinated notes (assuming early redemption):

	As of December 31	
	2022	2021
	In NIS thousand	
First year	410,672	-
Second year	398,831	410,672
Third year	1,060,849	398,831
Fourth year	755,156	1,060,849
Fifth year and onwards	<u>1,493,361</u>	<u>1,532,753</u>
	4,118,870	3,403,106
Less - discount and deferred acquisition costs	<u>(44,408)</u>	<u>(12,991)</u>
	<u><u>4,074,461</u></u>	<u><u>3,390,114</u></u>

2. Bonds

	As of December 31	
	2022	2021
	In NIS thousand	
First year	35,403	576,005
Second year	226,826	33,628
Third year	554,202	33,628
Fourth year	135,548	84,503
Fifth year and onwards	<u>1,193,963</u>	<u>993,324</u>
	2,145,942	1,721,088
Less - discount and deferred acquisition costs	<u>(16,958)</u>	<u>(15,235)</u>
	<u><u>2,128,984</u></u>	<u><u>1,705,853</u></u>

Redemptions of bonds during the year:A. Early redemption of Series 3 bonds

On December 9, 2021, the Company's Board of Directors decided to make a full conditional early redemption of the bonds (Series 3) at the total amount of NIS 284 million, which was implemented on January 18, 2022. The full early redemption was conditional upon the completion of a debt raising considered by the Company, through the issuance of its Series 6 bonds by way of a series expansion (hereinafter: the "Condition Precedent") which were offered by way of a uniform offering to the public pursuant to the Company's shelf prospectus published on December 9, 2021.

On January 5, 2022, the Condition Precedent for the full early redemption was met; on January 16, 2022, the bonds (Series 3) were removed from the indices on the Tel Aviv Stock Exchange. As of December 31, 2021, the Company revised the carrying amount of Series 3 Bonds, in order to reflect the expected exercise of the early redemption option. Following the above, the Company recognized a loss of approximately NIS 10 million as of that date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)**D. Repayment in years subsequent to reporting date: (cont.)**2. Bonds (cont.)**Redemptions of bonds during the year (cont):**B. Redemption of Bonds (Series A) - Gama

In 2019, Gama issued NIS 500 million p.v. in (Series A) Bonds in a private placement to institutional investors. The bonds were listed for trade on the TACT-Institutionals trading platform on October 17, 2019. In April and June the Company executed two expansions of Series A, such that after the expansions, the outstanding balance (principal) amounted to NIS 652 million p.v.

On December 19, 2021, the Company listed the bonds on the TASE main list; as a result of the listing and in accordance with the terms of the bonds, the interest rate payable on the bonds decreased by 0.15%, such that after the listing, the Series A bonds borne fixed annual interest of 1.19%.

The Series A bonds were fully repaid in five equal installments, the last of which was paid in September 2022.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details

As of December 31, 2022										
Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value In NIS million (*)	Payment dates of principal	Interest payment dates	Capital type (see F below)
D	09.2014	398.8	Midroog / Maalot Aa2/iIAA-	NIS	3.85%	398	397	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 3
E	4.2015	409.12 (Including expansion of May 5, 2016)	Midroog / Maalot Aa3/ iIAA-	Linked	2.25%	430	454	One installment on October 31, 2029	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2029 (inclusive)	Hybrid Tier 2
F	11.2015	410.7 (Including expansion of June 7, 2016)	Midroog / Maalot Aa3/ iIAA-	NIS	3.05%	410	410	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2025 (inclusive)	Hybrid Tier 2
H	01.2017	767.5 (Including expansion of July 3, 2017)	Midroog / Maalot Aa3/ iIAA-	NIS	3.61%	769	756	One installment sum on July 31, 2028	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2028 (inclusive)	Hybrid Tier 2
H	11.2018	308.3	Midroog / Maalot Aa3/ iIAA-	NIS	3.3%	307	299	One installment on August 31, 2029	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2029 (inclusive)	Tier 2 Capital
J	11.2018	293.3 (Including expansion of April 10, 2019)	Midroog / Maalot Aa3/ iIAA-	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	293	294	One installment on January 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2027 and on January 31, 2028 (the last interest payment date)	Tier 2 Capital
K	7.2019	1,293.36 (Including expansions in 2019 and 2022)	Midroog / Maalot Aa3/ iIAA-	NIS	2.62%	1,268	1,136	One installment on April 30, 2032	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2032; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2032)	Tier 2 Capital
L	8.2021	199	Maalot iIA+	CPI-linked	2.29%	211	175	Single installment on February 5, 2032	Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032)	Additional Tier 1 capital
M	7.2022	200	Midroog / Maalot Aa3/ iIAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.75% spread	199	200	One installment on October 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2022 through 2028 and on October 31, 2028 (the last interest payment date)	Tier 2 Capital

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2022									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value In NIS million (*)	Payment dates of principal	Interest payment dates
Series 6 bonds	01.2022	300	Midroog Aa2 Ma'alot ilAA-	NIS	1.94%	297	250	First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032.	Semi-annual interest on June 30 and December 31.
Series 4 bonds	05.2019	338 Including expansions as from February 3, 2021	Midroog Aa3 Ma'alot ilAA-	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	396	395	2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July, 31, 2028)
Series 5 bonds	02.2020	823 Including expansions as from September 7, 2020 and February 3, 2021	Midroog Aa3 Ma'alot ilAA-	Linked	0.44%	838	762	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2022									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value In NIS million (*)	Payment dates of principal	Interest payment dates
Series B bonds (Gama)	4.2022	216	Midroog Aa3	NIS	3%	215	210	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.
Bonds (Series C) - Gama	4.2022	283	Midroog Aa3	NIS	Bank of Israel's variable semi-annual interest rate plus a 1.35% margin	383	387	The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.	The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2021										
Series	Issuance date	Par value on issuance date, in NIS million.	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value In NIS million (*)	Payment dates of principal	Interest payment dates	Capital type (see F below)
D	09.2014	398.8	Midroog / Maalot Aa2/iIAA-	NIS	3.85%	398	423	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2026 (inclusive)	Hybrid Tier 3
E	4.2015	409.12 (Including expansion of May 5, 2016)	Midroog / Maalot Aa3/ iIAA-	Linked	2.25%	405	497	One installment on October 31, 2029	Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2029 (inclusive)	Hybrid Tier 2
F	11.2015	410.7 (Including expansion of June 7, 2016)	Midroog / Maalot Aa3/ iIAA-	NIS	3.05%	406	422	One installment on January 31, 2026	Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2025 (inclusive)	Hybrid Tier 2
H	01.2017	767.5 (Including expansion of July 3, 2017)	Midroog / Maalot Aa3/ iIAA-	NIS	3.61%	771	834	One installment on July 31, 2028	Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2028 (inclusive)	Hybrid Tier 2
H	11.2018	308.3	Midroog / Maalot Aa3/ iIAA-	NIS	3.3%	307	338	One installment on August 31, 2029	Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2029 (inclusive)	Tier 2 Capital
J	11.2018	293.3 (Including expansion of April 10, 2019)	Midroog / Maalot Aa3/ iIAA-	NIS	Bank of Israel's variable quarterly interest rate plus a 1.34% margin	291	299	One installment on January 31, 2028	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2027 and on January 31, 2028 (the last interest payment date)	Tier 2 Capital
K	7.2019	800 (Including expansion of December 22, 2019)	Midroog / Maalot Aa3/ iIAA-	NIS	2.62%	812	838	One installment on April 30, 2032	Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2032; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2032)	Tier 2 Capital
L	8.2021	199	Maalot iIA+	CPI-linked	2.29%	200	217	Single installment on February 5, 2032	Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032)	Additional Tier 1 capital

(*) Net of interest accrued since the date of the last installment.

(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

As of December 31, 2021									
Series	Issuance date	Par value on issuance date, in NIS million	Rating and rating agency	Linkage terms	Nominal interest	Carrying amount in NIS million (**)	Fair value In NIS million (*)	Payment dates of principal	Interest payment dates
Series 3 bonds	01.2018	272	Midroog Aa3	NIS	2.22%	281	282	5 equal installments of 16.66% in each of the years 2022 through 2026, and an installment of 16.7% on July 31, 2027.	Semi-annual interest on January 31 and July 31
			Ma'alot						
			iIAA-						
Series 4 bonds	05.2019	338	Midroog Aa3	NIS	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	336	346	2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028.	Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July 31, 2028)
		Including expansions as from February 3, 2021	Ma'alot						
			iIAA-						
Series 5 bonds	02.2020	823	Midroog Aa3	Linked	0.44%	829	900	6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal	Semi-annual interest rates on November 1 and May 1.
		Including expansions as from September 7, 2020 and February 3, 2021	Ma'alot						
			iIAA-						
Series A bonds	10.2019	650	Midroog Aa3	NIS	1.19%	261	262	In 5 equal installments with the first payment paid on September 30, 2020, and the remaining payments to be paid on March 30 and September 30, 2022; each of the installments constitutes 20% of the principal	Semi-annual interest will be paid on September 30 and March 30 of each year in the years 2020-2022.
(Gama)		Including expansion of April 2020 and June 2020							

(*) Net of interest accrued since the date of the last installment.

(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments:

1. The Bonds Series D-M were issued by The Phoenix Capital Raising - a wholly-owned company of the Company.
Series 3-6 Bonds issued by the Company.
2. All series are listed on the TASE and bear fixed interest, except for Series J, M and 4 which bear variable interest and Series L which is traded on the TACT-Institutionals trading platform.
3. The series are classified to level 1 for the purpose of determining fair value.
4. Issuances and expansion of series

Series K

In May 2022, The Phoenix Insurance issued, through The Phoenix Capital Raising, NIS 293.3 million p.v. in Series K registered Bonds of NIS 1 p.v. each as part of a series expansion, in consideration for NIS 270 million.

The Bonds were issued pursuant to the Company's shelf offering report dated May 8, 2022.

On April 27, 2022, Midroog announced it was reiterating the rating at Aa3.il, with a stable outlook for the expansion. Also, on May 1, 2022, Maalot announced that it was reiterating the iIAA- rating for the expansion.

On July 27, 2022, the Company issued - as part of a series expansion - NIS 200 million p.v. in Series K bonds in consideration for NIS 185 million in accordance with a shelf prospectus of August 16, 2019, whose term was extended through August 15, 2022, in accordance with a permit issued by the Israel Securities Authority. This expansion was also assigned an Aa3.il rating with a stable outlook by Midroog and an iIAA- rating by Maalot.

Series L

In August 2021, The Phoenix Insurance completed - through The Phoenix Capital Raising an issuance of subordinated bonds to institutional entities and to the Company. The subordinated bonds were recognized by the Commissioner as an Additional Tier 1 capital instrument of The Phoenix Insurance, and listed by The Phoenix Capital Raising for trade on the TACT Institutionals trading platform operated by the TASE.

The Phoenix Capital Raising has recently arranged the terms for the listing the subordinated bonds for trade on the main list of the TASE, as set out in Section 3.2.6 to the deed of trust published by The Phoenix Capital Raising; the latter is in the final stages of listing the subordinated bonds for trade on the main list; on March 22, 2023, The Phoenix Capital Raising received the TASE's approval for the listing, but the Israel Securities Authority's approval for the listing has not yet been received. As part of the listing process, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date. For more information in connection with the issuance of the subordinated bonds, see the Company's immediate reports dated August 2, 2021, August 3, 2021, and August 8, 2021 (Ref. Nos.: 2021-01-060658, 2021-01-061159, and 2021-01-062515).

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments: (cont.)

4. Issuance and expansion of series (cont.):

Series M

On July 27, 2022, The Phoenix Insurance raised, through The Phoenix Capital Raising and as part of a public offering, NIS 200 million p.v. in Series M Bonds in consideration for NIS 198 million. The Bonds were issued in accordance with a shelf prospectus of The Phoenix Capital Raising of August 16, 2019, whose term was extended through August 15, 2022, in accordance with a permit issued by the Israel Securities Authority.

The Bonds were rated by Midroog at Aa3.il with a stable outlook, and by Maalot at -ilAA.

The repayment date of the bonds is October 31, 2028, and they bear Bank of Israel's variable quarterly interest plus a 1.75% margin; the first installment will be paid in October 2022.

The Series M Bonds were recognized as a Tier 2 capital instrument by The Phoenix Insurance, subject to the Insurance Commissioner's directives on restricting recognized capital.

Series 4

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed on the Tel Aviv Stock Exchange Ltd. The bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

Series 6

On January 9, 2022, the Company issued NIS 300 million in NIS 1 par value each registered bonds (Series 6), which were issued pursuant to the Company's shelf offering report dated August 15, 2019 in consideration for NIS 296,948 thousand. The issuance proceeds were used by the Company to execute a full early redemption of Series 3 bonds in the total amount of NIS 283,770 thousand, which was implemented on January 18, 2022.

The principal of the bonds shall be repayable in nine (9) annual unequal installments, that will be paid on December 31 of each of the years 2024 to 2032; the first installment will be paid on December 31, 2024, and the last installment will be paid on December 31, 2032. The first installment will account for 4% of the principal; each of the second through the fourth installments will account for 12% of the principal; each of the fifth through the seventh installments will account for 10% of the principal, and each of the eighth and ninth installments will account for 15% of the principal. The Series 6 bonds are not linked to any linkage basis.

The outstanding balance of the bonds' principal will bear a fixed annual interest rate of 1.94%. The interest payable on the outstanding balance of the bonds' principal shall be paid in semi-annual installments, on June 30 and December 31 of each of the years 2022 through 2032; the last interest installment will be paid on December 31, 2032. The Series 6 bonds were rated by Midroog at Aa3.il with a stable outlook, and by Maalot at ilAA-. The issuance proceeds are designed to be used for early redemption of Series 3 bonds and for the Company's operating activities.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments: (cont.)

4. Issuance and expansion of series (cont.):

Bonds (Series B) - Gama

On April 18, 2022, Gama issued NIS 216 million par value of registered Series B bonds of NIS 1 par value each; the bonds, which are linked to the CPI, were issued pursuant to the Company's shelf offering report in consideration for NIS 216 million.

The bonds are repayable (principal) in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.

The outstanding balance of the bonds' principal shall bear fixed annual interest of 3%; the interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.

The bonds were rated by Midroog at Aa3.il with a stable outlook.

Bonds (Series C) - Gama

On April 18, 2022, Gama issued NIS 283 million par value of registered Series C bonds of NIS 1 par value each; the bonds, which are linked to the CPI, were issued pursuant to the Company's shelf offering report in consideration for NIS 283 million.

The bonds are repayable (principal) in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025.

The outstanding balance of the bonds' principal shall bear variable annual interest at the rate of the Bank of Israel interest, plus a 1.35% spread; the interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment will be paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025.

The bonds were rated by Midroog at Aa3.il with a stable outlook.

Contractual restrictions and financial covenants

As part of the deeds of trust of the Company's Series 3-6 Bonds, the Company undertook not to place a general floating charge on its assets as long as Series 3-6 bonds are not repaid in full, unless it has obtained the bondholders' consent in advance and placed on that date a lien of the same rank in favor of Series 3-6 bondholders. Furthermore, with respect to Series 3-6 bonds, the Company assumed upon itself restrictions on distribution of dividends; the Company has also undertaken to comply with various financial covenants in accordance with the terms described in the shelf offering report. For more information, see deeds of trust of the bonds (Series 3-6).

NOTE 27 - FINANCIAL LIABILITIES (cont.)

E. Material financial liabilities presented at amortized cost - additional details (cont.)

Comments: (cont.)

4. Issuance and expansion of series (cont.):

Events subsequent to the balance sheet date

Series 6

In January 2023, subsequent to the report date, the Company issued, by way of expansion, NIS 172,612 thousand par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 148,391 thousand. The Series 6 bonds are rated iIAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

Series L - arranging the terms of listing on the TASE

The Phoenix Capital Raising has recently arranged the terms for the listing the subordinated bonds for trade in the primary trading list of the TASE, as set out in Section 3.2.6 to the deed of trust published by it; The Phoenix Capital Raising is in the final stages of obtaining all the regulatory approvals necessary to list the subordinated bonds for trading as stated above.

As part of the listing process, The Phoenix Insurance undertook to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting date. For more information in connection with the issuance of the subordinated bonds, see the Company's immediate reports dated August 2, 2021, August 3, 2021, and August 8, 2021 (Ref. Nos.: 2021-01-060646, 2021-01-061153, and 2021-01-062443).

Series F

On January 31, 2023, The Phoenix Capital Raising executed a full early redemption of the principal of the Series F Bonds and the interest accrued thereon (hereinafter - the "Early Redemption Date") at the total amount of NIS 417 million, in accordance with the conditions precedent of the deed of trust, and the approval of the Capital Market, Insurance and Savings Authority.

In view of the early redemption, the Series F bonds were delisted from trade on the TASE.

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital

1. Hybrid Tier 2 and Tier 3 capital

In accordance with the prospectuses of the Series D, E, F and H, the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of hybrid Tier 2 and Tier 3 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

- A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

1. Hybrid Tier 2 and Tier 3 capital (cont.)

- B. The amount of the Company's recognized equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
- C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to the Company's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), provided that it first obtained the Insurance Commissioner's approval.
- D. The Company's Board of Directors ordered the deferral of interest and/or principal payments, to the extent that it decided that there is a real concern as to Company's ability to repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Insurance Commissioner's advance approval to do so.
- E. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in the Company's recognized equity, or if it realized that there is real concern as to the Company's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives). For that purpose, "recognized equity" means the recognized equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's directives.
- F. Principal or interest payments that were delayed as described above, shall be delayed until the delaying circumstances no longer exist, and under no circumstances for more than three years from the original repayment date of the principal of bonds.

Furthermore, in 2018 the Commissioner published its position - Definition of Recognized Capital and Required Capital in Hybrid Capital Instruments. This position clarifies the appropriate interpretation of the terms "required capital" and "recognized capital" in the terms of hybrid capital instruments with regard to delaying circumstances while distinguishing between insurers that obtained the Commissioner's approval as to the performance of an initial audit of the solvency ratio report by an auditor, and insurers that have not yet obtained such approval. With regard to insurers that received such approval from the Commissioner, the term "required capital" shall be interpreted in accordance with the definition of the term "minimum capital requirement" (MCR), and the term "equity" shall be interpreted in accordance with the definition of the term "equity" in the Solvency Circular. As to insurers that have not yet obtained the Commissioner's approval, the terms "equity" and "equity required for solvency purposes" shall be interpreted in accordance with their definition in the Insurer's Solvency Equity Requirement circular.

NOTE 27 - FINANCIAL LIABILITIES (cont.)**F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)****2. Tier 2 capital**

In accordance with the prospectuses of the Series I and M, the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of Tier 2 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

With regard to deferral of interest payments:

In accordance with the latest financial statements published by the Company prior to payment date, The Company does not have distributable profits as defined in the Companies Law.

With regard to deferral of principal and/or interest payments:

- A. In accordance the latest financial statements published by the Company prior to payment date, the Company's equity is lower than the equity required to establish delaying circumstances, and as of the report publication date, the Company did not supplement its equity.
- B. The Company's Board of Directors ordered the deferral of interest or principal payments, to the extent that it reached the conclusion that there is a real concern as to the Company's ability to maintain the required capital for delaying circumstances or repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Commissioner's advance approval to do so.
- C. The Commissioner ordered the deferral of interest or principal payments, to the extent that it realized that there is a decrease in The Phoenix Insurance's solvency ratio, or that there is a real concern as to the Company's ability to meet the equity requirements for solvency purposes.

3. Additional Tier 1 capital

The terms of the additional Tier 1 capital instrument (Series L) include loss absorption mechanisms as described below:

1. In accordance with the prospectuses of the Additional Tier 1 capital (Series L), the principal payments and/or interest payments shall be deferred upon the occurrence of delaying circumstances as defined below:

"Delaying circumstances in respect of Additional Tier 1 capital" - in accordance with the Insurance Commissioner's directives mean the existence of one or more of the following circumstances:

- A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)**F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)****3. Additional Tier 1 capital (cont.)**

1. (cont.)
 - B. The amount of The Phoenix Insurance's recognized equity dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.
 - C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Insurance Commissioner's directives), provided that it first obtained the Insurance Commissioner's approval.
 - D. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in The Phoenix Insurance's recognized equity, or if it realized that there is real concern as to The Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to The Phoenix Insurance and/or in accordance with the Insurance Commissioner's directives). For that purpose, "recognized equity" means the recognized equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's directives.
2. The instrument's principal which was not repaid on time due to delaying circumstances as stated above:
 - A. Shall not accrue interest on arrears of any type whatsoever
 - B. Will be paid when the delaying circumstances cease, in accordance with the resolution of the insurance company's Board of Directors, and after obtaining the Commissioner's advance approval.
3. The instrument's principal shall be derecognized or converted into ordinary shares when any of the following applies:
 - A. In accordance with the financial statements preceding the published financial statements, an insurance company's equity is lower than the equity it is required to maintain, and the insurance company did not supplement its equity as of the publication date of the latest financial statements.
 - B. In accordance with the latest published financial statements, an insurance company's solvency ratio is lower than 75%, and the insurance company did not supplement its equity as of the publication date of the financial statements.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)

3. Additional Tier 1 capital (cont.)

3. (cont.)

- C. In the auditor's report or review report attached to the latest published financial statements prior to the payment date, the independent auditor of an insurance company has drawn attention to notes describing significant doubts as to the insurance company's ability to continue as a going concern.

G. Early redemption

1. Series D

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute full or partial early redemption shall be January 31, 2024 (hereinafter: the "First Early Redemption Date"). Subsequent to the First Early Redemption Date, The Phoenix Capital Raising will be allowed to execute full or partial early redemption of the bonds on each interest payment date. To the extent that The Phoenix Capital Raising does not exercise its right to execute early redemption on the First Early Redemption Date, the relevant bondholders will be paid additional interest in addition to the interest which the bonds bear at that time in respect of the remaining period (from the First Early Repayment Date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in relation to the bonds as defined in the shelf prospectus.

2. Series E, F and H

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds (Series E, F and H) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the bonds (Series E, F and H) will not be executed on October 31, 2026, January 31, 2023 and July 31, 2025, respectively (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the repayment date of bonds (Series E, F and H).

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

2. Series E, F and H (cont.)

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series E, F and H bonds shall be May 1, 2020, January 1, 2021 and July 31, 2022, respectively, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby The Phoenix Capital Raising shall pay Series E, F and H bondholders the higher of the following amounts: (1) The market value of the outstanding balance of Series E, F and H bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The liability value of the Series E, F and H bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series E, F and H bonds which will be repaid early (principal amount plus interest (and in the case of Series E bonds also linkage), discounted by a discount rate and at the terms listed in the deed of trust.

3. Series I and J

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Series I and J bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Series I and J bonds will not be executed on August 31, 2026 and January 31, 2025, respectively (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the Series I and J's repayment date.

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series I and J bonds shall be October 31, 2023, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series I and J bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Series I and J bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The theoretical economic value of the Series I and J bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series I and J bonds in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

NOTE 27 - FINANCIAL LIABILITIES (cont.)**G. Early redemption (cont.)****4. Series K**

The Company shall have the right to execute full or partial early redemption of the Series K bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Series K bonds will not be executed on April 30, 2029 (hereinafter: the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the Series K's repayment date.

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series K bonds shall be July 30, 2024, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series K bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Series K bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The theoretical economic value of the Series K bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series K bonds in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

5. Series L

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds (Series L) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which The Phoenix Capital Raising may execute early redemption shall be ten (10) years after the issuance date, i.e., February 5, 2031 (hereinafter: the "First Early Redemption Date"). After the First Early Redemption Date and subject to obtaining the Commissioner's approval, the Company will be allowed to execute partial or full early repayment of the subordinated bonds on the first interest payment date that will take place 5 years after the First Early Redemption Date, and subsequently, once every 5 years on the next interest payment date.

Notwithstanding the above, insofar as changes are made to the regulations applicable to The Phoenix, as a result of which the classification of the subordinated bonds as additional Tier 1 capital is adversely affected, the Company will be allowed to execute full or partial early redemption of the subordinated bonds. In such a case, the early redemption will be executed in accordance with the par value of the subordinated bonds, plus interest accrued in respect thereof through that date; the early redemption will be executed immediately prior to the interest payment date closest to the date of such a change.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

G. Early redemption (cont.)

6. Series M

The Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds (Series M) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Series M bonds will not be executed on October 31, 2028 (hereinafter - the "Record Date for Additional Interest"), then the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Record Date for Additional Interest through the Series M's repayment date.

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series M bonds shall be October 30, 2028, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Record Date for Additional Interest (excluding early redemption on the Record Date for Additional Interest), the provisions set out overleaf in the deed of trust shall apply, whereby the Company shall pay Series M bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Series K bonds in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The theoretical economic value of the Series K bonds in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Series K bonds in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

7. Series B and C Bonds - Gama

Gama will be allowed to redeem the bonds by way of full or partial early redemption only after sixty (60) days have elapsed from the listing date of the Bonds, provided that the amount of each such early repayment will not be lower than NIS 1 million.

Early redemption will not take place more than once quarter.

The amount that will be paid to the bondholders in the event of early redemption shall be the higher of: (1) the market value of the outstanding bonds that are due for early redemption, which will be determined in accordance with the average closing price of the bonds in the thirty (30) trading days that preceded the date on which the Board of Directors passed the resolution to execute the early redemption. (2) The liability value of the bonds that are due for early repayment, that is to say - principal plus interest (including interest on arrears if it becomes payable prior to the announcement regarding the execution of the early redemption by the Company, and which accrued and not yet paid prior to the redemption date), calculated until the early redemption date. (3) The balance of cash flows of the bonds that are due for early redemption (principal plus interest), discounted by a discount rate and at the terms listed in the deed of trust.

H. Short-term credit from banking corporations

As of the report date, Company's subsidiaries have short-term credit totaling NIS 578 million. The NIS-denominated credit bears variable interest of between Prime and 0.3% and Prime. The foreign currency-denominated credit bears variable interest of between LIBOR + 1.15% and LIBOR + 2%.

NOTE 27 - FINANCIAL LIABILITIES (cont.)

I. Loans from non-bank entities

As of the report date, Company's subsidiaries have loans from institutional entities totaling NIS 827 million. The loans bear interest of between Prime and Prime+1%. The term of the loan is 3-4.5 years.

J. Trade receivables for credit cards

The balance represents a liability for trade receivables in respect of credit vouchers that have been transferred to Gama by credit card companies as part of its factoring and clearing agreements as an aggregator and have yet to be paid to Gama's customers. The balance is short-term and will be repaid several days after the reporting period, according to the payment date agreed upon with each customer.

K. The Company's rating

Midroog

On January 17, 2022, Midroog announced it was reiterating the rating of Series 3, 4, 5 and 6 bonds at Aa3.il, and altering the outlook from stable to positive.

On September 8, 2022, Midroog announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company at Aa3.il, with a stable outlook.

On January 19, 2023, Midroog announced it assigns the Company an issuer rating of Aa2.il with a stable outlook, and upgrades the rating of the Company's bonds from Aa3.il with a stable outlook to Aa2.il with a table outlook.

On January 23, 2023, Midroog announced it has rated the extension of up to NIS 150 million of Series 6 a bonds issued by the Company at Aa2.il, with a stable outlook.

Maalot S&P

On September 8, 2022, S&P Maalot announced it has rated the extension of up to NIS 61 million of Series 4 bonds issued by the Company by way of private placement at iIAA.

On November 2, 2022, S&P Maalot announced the ratification of an iIAA- rating for the Company and an AA+ rating for The Phoenix Insurance.

On January 23, 2023, S&P Maalot announced it has rated the extension of up to NIS 150 million of Series 6 bonds issued by the Company at iIAA-.

L. Shelf prospectuses

On August 16, 2019, the Company published a shelf prospectus by virtue of which is may issue various types of securities such as: ordinary Company shares of NIS 1 par value each, preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

NOTE 27 - FINANCIAL LIABILITIES (cont.)**L. Shelf prospectuses (cont.)**

On August 16, 2019, The Phoenix Capital Raising published a shelf prospectus pursuant to which it will be able to issue various types of securities in accordance with the provisions of law – nonconvertible bonds (including by expanding existing series of bonds of The Phoenix Capital Raising as they will be from time to time) and option warrants exercisable into bonds of The Phoenix Capital Raising. The issuance proceeds in respect of the above securities will be deposited with The Phoenix Insurance for its use at its own discretion and responsibility.

On May 31, 2021, Gama published a prospectus that also constitutes a shelf prospectus by virtue of which it may issue various types of securities in accordance with the provisions of the law - ordinary Company shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, and option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued through the shelf offering report to be published by virtue of this shelf prospectus.

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022 and is valid through August 23, 2024. For further details, please see immediate report dated August 23, 2022 (Ref. No.: 2022-01-107443).

NOTE 27 - FINANCIAL LIABILITIES (cont.)

M. Changes in liabilities stemming from financing activity

	Loans from non-bank entities	Credit from banks	Trade receivables for credit cards	Bonds	Subordinated notes	Subordinated bonds - additional Tier 1 capital	Liability for REPO	Other (*)	Total liabilities stemming from financing activity
	In NIS thousand								
Balance as of January 1, 2021	-	80,796	-	1,118,538	3,374,460	-	389,315	129,974	5,093,083
Commencement of consolidation	357,682	1,500	1,267,310	390,165				51,662	2,068,319
Cash flow	229,818	118,185	-	165,263	-	198,544	(389,315)	(37,347)	285,148
Effect of changes in the Consumer Price CPI	-	-	-	18,082	10,056	1,266	-	4,408	33,812
Other changes	-	(214)	166,517	13,805	5,598	-	-	(33,281)	152,425
Deconsolidation	-	(41,072)	-	-	-	-	-	-	(41,072)
Recognition of lease liabilities	-	-	-	-	-	-	-	31,241	31,241
Balance as of December 31, 2021	587,500	159,195	1,433,827	1,705,853	3,390,114	199,810	-	146,657	7,622,956
Commencement of consolidation	6,389	-	-	-				26,359	32,748
Cash flow	223,864	422,742	-	379,593	-	-	722,370	(60,082)	1,688,487
Effect of changes in the Consumer Price CPI	-	-	-	43,538	652,485	10,726	-	-	706,749
Other changes	-	5,292	137,686	-	31,862	-	-	(20,026)	154,814
Recognition of lease liability	-	-	-	-	-	-	-	52,319	52,319
Balance as of December 31, 2022	827,333	577,658	1,571,513	2,128,984	4,074,461	210,536	722,370	145,218	10,258,073

(*) Mainly in respect of a lease liability and put option to non-controlling interests.

NOTE 28 - PREMIUMS EARNED

	For the year ended December 31, 2022		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	5,611,196	282,181	5,329,015
Health insurance premiums	3,060,536	222,362	2,838,174
Property and casualty insurance premiums	3,716,921	1,061,884	2,655,037
Total premiums	12,388,653	1,566,427	10,822,226
Less change in unearned premium balance (*)	251,422	(3,667)	255,089
Total premiums earned	12,137,231	1,570,094	10,567,137

	For the year ended December 31, 2021		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	5,422,835	117,372	5,305,463
Health insurance premiums	2,737,864	212,669	2,525,195
Property and casualty insurance premiums	3,155,352	1,048,047	2,107,305
Total premiums	11,316,051	1,378,088	9,937,963
Change in unearned premium balance (*)	154,620	32,629	121,991
Total premiums earned	11,161,431	1,345,459	9,815,972

	For the year ended December 31, 2020		
	Gross	Reinsurance	Retention
	In NIS thousand		
Life insurance premiums	4,765,553	99,195	4,666,358
Health insurance premiums	2,756,223	278,506	2,477,717
Property and casualty insurance premiums	2,875,052	980,628	1,894,424
Total premiums	10,396,828	1,358,329	9,038,499
Change in unearned premium balance (*)	14,176	29,351	(15,175)
Total premiums earned	10,382,652	1,328,978	9,053,674

(*) In principle, in property and casualty insurance; please see Note 19.

NOTE 29 - GAINS ON INVESTMENTS, NET, FINANCE AND OTHER INCOME

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
<u>Gains (losses) on assets held against yield-dependent liabilities</u>			
Investment property	348,868	309,221	88,982
<u>Financial investments:</u>			
Liquid debt assets	(1,413,194)	890,380	391,598
Illiquid debt assets	(43,747)	403,168	185,994
Shares	(2,983,121)	5,896,319	1,090,502
Other investments	(2,964,246)	4,927,924	2,688,463
Cash and cash equivalents	437,873	(9,775)	(23,094)
Total gains (losses) on assets held against yield-dependent liabilities, net	<u>(6,617,567)</u>	<u>12,417,237</u>	<u>4,422,445</u>
<u>Gains on assets held against non-yield-dependent liabilities, capital and other</u>			
<u>Income from investment property:</u>			
Revaluation of investment property	96,200	160,567	53,004
Current income in respect of investment property	38,265	80,679	90,965
Total income from investment property	<u>134,465</u>	<u>241,246</u>	<u>143,969</u>
<u>Gains (losses) on financial investments, excluding interest, linkage differences, exchange rate differences and dividend in respect of:</u>			
Available-for-sale assets (a)	(681,599)	584,861	125,118
Assets presented at fair value through profit or loss (B)	(248,967)	178,083	(5,448)
Assets presented as loans and receivables (C)	37,471	50,192	7,512
	<u>(893,095)</u>	<u>813,136</u>	<u>127,182</u>
Interest income (*) and linkage differences on financial assets not accounted for at fair value through profit and loss	1,430,956	841,111	569,391
Interest income (*) and linkage differences on financial assets accounted for at fair value through profit and loss and on other assets (**)	166,395	195,676	223,768
Gain (loss) on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets (**)	142,865	(31,233)	(39,270)
Dividend income	<u>81,150</u>	<u>149,752</u>	<u>32,221</u>
Total investment income, net and finance income	<u>(5,554,831)</u>	<u>14,626,925</u>	<u>5,479,706</u>
(*) The above revenues includes interest in respect of impaired financial assets which are not presented at fair value through profit and loss	<u>-</u>	<u>398</u>	<u>5,341</u>

(**) Regarding exchange rate differences in respect of financial liabilities, please see Note 39.

NOTE 29 - GAINS ON INVESTMENTS, NET, FINANCE AND OTHER INCOME (cont.)

A. Gains (losses), net on investments for available-for-sale assets

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Net gains on realized securities	188,702	811,111	501,813
Net impairments carried to profit and loss	(870,301)	(225,808)	(376,695)
Total gains on investments for assets presented as available-for-sale assets	<u>(681,599)</u>	<u>585,303</u>	<u>125,118</u>

B. Gains (losses) on investments in respect of assets presented at fair value through profit or loss

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Changes in net fair value, including realization gains:			
In respect of held-for-trading assets	(224,000)	159,397	(1,779)
In respect of assets designated on initial recognition	(24,967)	18,686	(3,669)
Total gains (losses) on investments for assets presented at fair value through profit or loss	<u>(248,967)</u>	<u>178,083</u>	<u>(5,448)</u>

C. Gains (losses) on investments for assets presented as loans and receivables:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Net gains on realization of assets presented as loans and receivables	27,995	37,919	10,937
Net appreciations (impairments) carried to profit and loss	9,476	12,273	(3,425)
Total gains on investments for assets presented as loans and receivables	<u>37,471</u>	<u>50,192</u>	<u>7,512</u>

NOTE 30 - INCOME FROM MANAGEMENT FEES

Composition

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Management fees in the pension and provident industries	670,387	542,942	369,873
Management fees from financial services	288,318	287,911	248,930
Variable management fees for life insurance contracts (*)	-	680,715	293,036
Fixed management fees for life insurance contracts	447,850	448,941	383,653
Management fees for investment contracts	139,858	88,085	59,984
Total management fees from planholders and policyholders	1,546,413	2,048,594	1,355,476
Other management fees	1,315	772	1,713
Total income from management fees	<u>1,547,728</u>	<u>2,049,366</u>	<u>1,357,189</u>

(*) As of December 31, 2022, the estimated management fees which will not be collected due to negative yield in respect of participating policies amounted to approximately NIS 643 million. As of the report publication date, the estimated management fees which will not be collected amounted to approximately NIS 728 million.

NOTE 31 - INCOME FROM FEES AND COMMISSIONS

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Insurance agency fees and commissions	471,812	368,514	258,045
Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurance	364,100	322,900	298,006
Total income from fees and commissions	<u>835,912</u>	<u>691,414</u>	<u>556,051</u>

NOTE 32 - INCOME FROM FINANCIAL AND OTHER SERVICES

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Income from stock exchange and trading services, net	174,000	120,000	120,000
Income from investment banking and underwriting	49,000	34,000	39,000
Total income from financial and other services	<u>223,000</u>	<u>154,000</u>	<u>159,000</u>

NOTE 33 - REVENUES FROM FACTORING AND CLEARING AND OTHER INCOME

A. Revenues from factoring and clearing:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Income under the effective interest method	55,350	18,062	-
Revenues from aggregator fees and other	18,577	6,559	-
Revenues from sale of vouchers	75,255	30,699	-
Change in provision for doubtful accounts	(6,428)	(2,449)	-
Total income from factoring and clearing	<u>142,754</u>	<u>52,871</u>	<u>-</u>

B. Other income:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Providing consulting services	8,857	13,002	15,541
Rent	-	2,618	3,558
Capital gain on disposal of property, plant & equipment	2	-	-
Provision of services	-	15,243	18,521
Gain on reversal of provision for impairment of property, plant and equipment	-	-	13,883
Assuming control in Gama (see Note 7E)	-	240,292	-
Disposal of investment in Ad 120 (see Note 7E)	-	340,795	-
Gain as a result of a change in holding rates in other investees (see Note 4)	108,490	79,257	67,268
Gain on sale of provident funds (see Note 5E)	14,215	-	-
Revenue from distribution fees	4,204	-	-
Other income	9,012	16,979	13,075
Total other income	<u>144,780</u>	<u>708,186</u>	<u>131,846</u>

NOTE 34 - PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
For life insurance contracts:			
Paid and contingent claims - death, disability and other	677,447	693,576	632,752
Less - reinsurance	73,944	40,696	36,393
	603,503	652,880	596,359
Redeemed policies	3,966,370	2,948,796	2,228,493
Expired policies	172,311	200,043	194,489
Pension	507,309	442,677	366,932
Total claims	5,249,493	4,244,396	3,386,273
Increase in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention	(4,260,569)	11,197,618	4,619,045
Increase in liabilities in respect of investment contracts due to the yield component	(1,243,690)	1,595,295	423,590
Total payments and change in liabilities in respect of life insurance contracts and investment contracts - retention	(254,766)	17,037,309	8,428,908
Total payments and change in liabilities in respect of property and casualty insurance contracts:			
Gross	2,234,066	2,060,741	1,640,879
Reinsurance	570,707	636,440	542,801
Retention	1,663,359	1,424,301	1,098,078
Total payments and change in liability in respect of health insurance contracts:			
Gross	730,355	3,442,141	2,371,630
Reinsurance	272,140	115,238	234,439
Retention	458,215	3,326,903	2,137,191
Increase in reserves of provident fund management companies	98,221	67,411	38,697
Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention	1,965,029	21,855,924	11,702,874

NOTE 35 - FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Purchase costs:			
Purchase fees	1,117,571	894,980	682,370
Other purchase expenses	543,192	468,528	422,234
Change in deferred acquisition costs	(442,736)	(276,514)	20,918
Total purchase expenses	1,218,027	1,086,994	1,125,522
Other fees and commissions	626,945	523,175	566,133
Other marketing expenses	88,833	85,906	58,448
Total fees and commissions, marketing expenses and other purchase expenses	1,933,805	1,696,075	1,750,103

NOTE 36 - GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Salaries and related expenses	1,418,510	1,323,151	1,144,783
Depreciation and amortization	329,504	303,751	278,429
Office maintenance and communications	85,309	77,089	78,433
IT services	155,171	131,633	106,078
Marketing and advertising	126,007	96,526	65,306
Legal and professional advice	119,347	115,507	78,229
Other	283,326	258,575	182,931
Total (*)	2,517,174	2,306,232	1,934,188
Less:			
Amounts classified under change in liabilities and payments in respect of insurance contracts	(116,414)	(114,930)	(107,376)
Amounts classified under fees and commissions, marketing expenses and other purchase expenses	(595,476)	(515,985)	(466,784)
Total general and administrative expenses	1,805,284	1,675,317	1,360,028
(*) General and administrative expenses include automation expenses totaling	476,535	412,795	365,224

- (1) The change in expenses is due, in part, to changes in the Company's holding structure, see Note 1 and 4. Salary and related expenses are affected by performance-based compensation and revision of the collective agreement; for details regarding the collective agreement, see Note 24G.

NOTE 37 - SHARE-BASED PAYMENT

A. Expense recognized in books of accounts

The expense recognized in the financial statements for services received from employees is presented in the following table:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
In respect of equity-settled bonuses			
Total expense recognized from share-based payment transactions	17,555	9,715	4,896

B. Options allocated to employees and officers

2018 plan

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "Options") to employees and officers of the Company and companies under its control. The plan was approved under the work income track pursuant to Section 102 of the Income Tax Ordinance.

Performance terms - 2018 plan

The options shall vest subject to the offeree's meeting the following performance conditions, on a cumulative basis:

- (1) At least 90% of the return on equity target - return on equity shall be calculated as the annual average of the return of comprehensive income on the Company's weighted equity. The yield target shall be set as part of the annual work plan set by the Company's Board of Directors by March 31 of each calendar year.

NOTE 37 - SHARE-BASED PAYMENT (cont.)**B. Options allocated to employees and officers (cont.)**

(1) (cont.)

The fulfillment of the performance conditions described above shall be calculated as of publication date of the annual consolidated financial statements for each of the vesting years. That is to say, in connection with the first tranche, the performance conditions shall be measured in respect of the 2020 results; in connection with the second tranche, the performance conditions will be measured in respect of the 2021 results; and in connection with the third tranche, the performance conditions will be measured in respect of the 2022 results.

If the performance conditions were not fulfilled in a specific year, fulfillment will be measured for each subsequent year after the relevant year until the option's expiry date.

- (2) The economic solvency ratio metric - meeting the capital requirements taking into account the transitional period in accordance with the Commissioner's circular of June 2017 regarding provisions for the implementation of Solvency II-based economic solvency regime of insurance companies (hereinafter: the "Solvency Circular"). Compliance with the capital requirements to be published in the financial statements will be assessed on vesting date in respect of the three calendar years preceding the vesting date.

An offeree's eligibility for all options vested on a specific vesting date shall be conditional upon cumulatively meeting requirements of the above two metrics. Failure to meet the requirements will result with the offeree's not being eligible for options. If the Company's Board of Directors will change the definitions of the metrics described above as part of the annual compensation plan, these changes shall also apply to the terms of the options.

Set forth below are the assumptions used in the measurement of the fair value of the share options settled with Company's equity instruments in accordance with the 2018 plan:

A. Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the parent company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility.

B. Risk-free interest rate

The interest rate used to calculate the value of the options to offerees was calculated based on a risk-free nominal yield to maturity curve, which is based on the yield of non-linked "Shahar" government bonds.

C. Churn rate (after the vesting period)

A certain attrition rate of approximately 10% was assumed by the model between the vesting date and the expiry of the option. No attrition rate was assumed by the model for the vesting period.

D. Dividend

The exercise price of the options allotted under this plan is adjusted to reflect dividends. Therefore, the calculation of the value of the options does not take into account future distribution of dividends.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022:

1. Allocations in 2019

- A. On February 3 2019, 3,876,000 options were allotted to 79 employees of the Company and its subsidiaries. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 21.35 in respect of the first tranche, NIS 21.99 in respect of the second tranche, and NIS 22.63 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 57.51).

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.92 and the total value of options allotted was estimated at approximately NIS 15.2 million as of that date.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	24.51%	1.03%	Mar. 31 2021	Mar. 31 2023
2	23.86%	1.29%	Mar. 31 2022	Mar. 31 2024
3	24.56%	1.53%	Mar. 31 2023	Mar. 31 2025

- B. On April 30 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 556,000 options. The options were allotted to 12 Company employees (hereinafter: "Group B"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 22.49 in respect of the first tranche, NIS 23.11 in respect of the second tranche, and NIS 23.72 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.82 and the total value of options allotted was estimated at approximately NIS 2.1 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 62.49). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

1. Allocations in 2019 (cont.)

- C. On October 30, 2019 (hereinafter: the "Award Date"), the Company's Board of Directors approved the allotment of 200,000 options. The options were allotted to two Company officers (hereinafter: "Group C"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 23.68 in respect of the first tranche, NIS 24.33 in respect of the second tranche, and NIS 24.99 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.31 and the total value of options allotted was estimated at approximately NIS 0.66 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 63.84). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

2. Allocations in 2020

- A. On September 15 2020, the Company's Board of Directors approved the allotment of 5,228,000 options to 76 of the Group's employees, as well as to service providers of the Company. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company. The exercise price of each option (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 15.17). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 32.17 for the first tranche, NIS 33.17 for the second tranche, and NIS 34.17 for the third tranche.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 2.12, and the total value of the options allotted was estimated at that date at approximately NIS 11 million.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

2. Allocations in 2020 (cont.)

A. (cont.)

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.31%	0.13%	Apr. 7 2022	Apr. 7 2023
2	28.82%	0.21%	Apr. 7 2023	Apr. 7 2024
3	27.78%	0.32%	Apr. 7 2024	Apr. 7 2025

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility.

However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approximately 80% and in April - approximately 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%.

The resulting standard deviation rates are lower by approximately 1.49%-2.35% than the standard deviation rates prior to the adjustments.

Except for the aforesaid, the other terms of the options are identical to the terms of the 2018 plan.

- B. Options awarded to the Company's CEO - on September 15 2020, the Company's Board of Directors approved the allotment of 350,000 options to the Company's CEO. On October 22 2020, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

2. Allocations in 2020 (cont.)

B. (cont.)

The options include a benefit limit, whereby the maximum benefit arising to offeree from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 17.69). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 34.69 for the first tranche, NIS 35.69 for the second tranche, and NIS 36.69 for the third tranche. The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 3.37 and the total value of options allotted was estimated at approximately NIS 1.2 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	30.74%	0.11%	Apr. 7 2022	Apr. 7 2023
2	28.73%	0.20%	Apr. 7 2023	Apr. 7 2024
3	28.19%	0.29%	Apr. 7 2024	Apr. 7 2025

The assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

- C. Forced exercise - in accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price of NIS 32.17 in respect of the first tranche. Therefore, on October 26, 2022, a forced exercise was carried out for a total of 1,747,671 options in respect of the first tranche.

3. Allocations in 2021

- A. On May 26 2021, the Company's Board of Directors approved the allotment of 3,849,000 options to 126 of the Group's employees, as well as to a service provider of the Company. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company.

The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

3. Allocations in 2021 (cont.)

A. (cont.)

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the day before the allotment (NIS 31.89). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 4.3, and the total value of the options allotted was estimated at that date at approximately NIS 17 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price (*)	Risk-free interest rate	Vesting date	Expiry date
1	30.56%	0.28%	Apr. 7 2023	Apr. 7 2024
2	28.80%	0.43%	Apr. 7 2024	Apr. 7 2025
3	28.24%	0.64%	Apr. 7 2025	Apr. 7 2026

(*) Expected volatility of share price

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approximately 80% and in April - approximately 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-off components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%. The resulting standard deviation rates are lower by approximately 1.37%-2.07% than the standard deviation rates prior to the adjustments.

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

3. Allocations in 2021 (cont.)

- B. Options awarded to the Company's CEO - on May 26 2021, the Company's Board of Directors approved the allotment of 88,000 options to the Company's CEO. On July 5 2021, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company's share on the eve of the Board of Directors' approval (NIS 32.49). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 for the third tranche. The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 4.47 and the total value of options allotted was estimated at approximately NIS 0.4 million.

Set forth below are the assumptions used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	31.37%	0.18%	Apr. 7 2023	Apr. 7 2024
2	29.49%	0.32%	Apr. 7 2024	Apr. 7 2025
3	28.75%	0.47%	Apr. 7 2025	Apr. 7 2026

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

4. Allocations in 2022

- A. On January 31 2022, the Company's Board of Directors approved the allotment of 4,793,593 options to 178 of the Group's employees. The shares that will be issued as a result of the exercise of the said options, are ordinary Company shares of NIS 1 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as described below) and the employee's continued employment by the Company.

The exercise price of each option is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approximately NIS 4.18, and the total value of the options allotted was estimated at that date at approximately NIS 20 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	33.64%	0.42%	Apr. 1 2023	Jun. 1 2024
2	32.16%	0.60%	Apr. 1 2024	Apr. 1 2025
3	30.31%	0.79%	Apr. 1 2025	Apr. 1 2026

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

- B. Options awarded to the Company's CEO - on March 8 2022, the Company's General Meeting approved the allotment of 90,000 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 in respect of the third tranche. On exercise date, the Company shall allot the shares arising from exercise in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

B. Options allocated to employees and officers (cont.)

Allocations for 2019-2022 (cont.):

4. Allocations in 2022 (cont.)

B. (cont.)

The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 for the third tranche.

The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value per one option was estimated at approximately NIS 4.05 and the total value of options allotted was estimated at approximately NIS 0.4 million.

Inputs used in the measurement of the fair value of the share options settled with Company's equity instruments:

Tranche	Expected volatility of share price	Risk-free interest rate	Vesting date	Expiry date
1	34.41%	0.96%	Apr. 7 2022	Apr. 7 2023
2	32.63%	1.17%	Apr. 7 2023	Apr. 7 2024
3	30.77%	1.27%	Apr. 7 2024	Apr. 7 2025

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

NOTE 37 - SHARE-BASED PAYMENT (cont.)

C. Change during the year

Set forth below is a table presenting the number of share options, the weighted average of their exercise price, and the changes made in the employee option plans during the current year:

	2022		2021		2020	
	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price	Number of Options	Weighted Average of Adjusted Exercise Price
Share options as of beginning of year	11,954,026	22.21	9,278,500	19.07	3,997,500	20.70
Share options granted during the year	4,883,593	41.83	3,937,000	35.00	5,578,000	18.00
Share options exercised during the year	(2,404,802)	13.60	(841,142)	18.43	-	-
Share options forfeited during the year	(869,499)	27.77	(420,332)	20.39	(297,000)	20.70
Share options as of end of year	<u>13,563,318</u>	<u>27.65</u>	<u>11,954,026</u>	<u>22.21</u>	<u>9,278,500</u>	<u>19.07</u>
Exercisable share options as of end of the year	<u>909,080</u>	<u>15.45</u>	<u>353,056</u>	<u>17.28</u>	<u>-</u>	<u>-</u>

D. The weighted average of the remaining contractual life of the share options as of December 31 2022 is 2.08 years (2021 - 2.65 years, 2020 - 3.26 years).

E. For information regarding dividend distributions - see Note 16H.

NOTE 38 - OTHER EXPENSES

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Amortization of intangible assets	70,354	50,441	21,710
Results of Modified-Re reinsurance	1,187(*)	15,127	20,760
Loss on impairment of property, plant & equipment and other losses	<u>19,555</u>	<u>1,886</u>	<u>12,415</u>
Total other expenses	<u>91,096</u>	<u>67,454</u>	<u>54,885</u>

(*) For further details regarding acquisitions and business combinations, see Notes 4 and 5.

(**) The decrease in modified-Re type reinsurance results mainly from a decrease in variable management fees.

NOTE 39 - FINANCE EXPENSES

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Interest and linkage difference costs in respect of:			
Subordinated bonds	163,465	119,654	103,531
Bonds and loans	121,209	48,981	40,972
Loss from early redemption (*)	-	9,844	
Revaluation of liability to purchase shares in consolidated companies	-	-	3,369
Deposits by tenants (**)	-	14,104	(2,454)
Interest expenses (including linkage differences) for reinsurers	14,700	20,015	4,833
Exchange rate differences, net, in respect of reinsurers' deposits	18,650	(4,235)	(10,194)
Fees and commissions and other finance expenses	510	9,640	6,452
Total finance expenses	<u>318,534</u>	<u>218,003</u>	<u>146,509</u>

(*) For more information, see Note 27D(2)

(*) For information about deconsolidation of Ad 120, see Note 8.

NOTE 40 - EARNINGS PER SHARE

Calculation of the basic diluted earnings per share was based on the net income attributable to the shareholders divided by the weighted average of the number of the outstanding ordinary shares, as follows:

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Profit attributed to Company's shareholders	<u>1,257,124</u>	<u>1,964,696</u>	<u>1,169,023</u>

	For the year ended December 31		
	2022	2021	2020
	No. of shares (in thousands)		
<u>Weighted average of the number of ordinary shares</u>	<u>NIS 1 p.v.</u>		
Balance as at January 1	252,541	254,657	256,153
Effect of Company's shares held by the Group (*)	(1,314)	(1,502)	(187)
Effect of shares issued in the year	369	139	-
Weighted average number of ordinary shares used in calculation of basic earnings per share as of December 31	<u>251,596</u>	<u>253,294</u>	<u>255,966</u>
Effect of potential dilutive shares	4,262	3,719	-
Weighted average number of ordinary shares used in calculation of diluted earnings per share as at December 31	<u>255,858</u>	<u>257,013</u>	<u>255,966</u>

(*) For further details regarding the acquisition of the company's shares, please see Note 16.

NOTE 41 - RISK MANAGEMENT

The Group operates in the following main operating segments: life insurance and long-term savings, health insurance, property and casualty insurance, pension and provident funds, credit, insurance agencies, financial services, including alternative investment funds, ETFs, mutual funds, portfolio management and TASE member.

The Group's activities in the above areas expose it to the following main risks:

- Macroeconomic risks, including the state of the economy and employment levels.
- Market risks, including interest rate risk and ALM.
- Liquidity risks.
- Credit risks including credit risks of reinsurers.
- Cyber risks.
- Operational risks including IT systems, outsourcing, and embezzlement and fraud risks.
- Insurance risks including pricing and underwriting risks, climate and environmental risks, and catastrophe risk (including epidemic).
- Legal risks, including legal precedents, class actions and lawsuits.
- Regulatory and compliance risks.
- Reputational risk.
- Business risks, including competitive, change in public preferences and portfolio retention level risks.

Macroeconomic risks - risks arising from the state of the economy and employment levels. A recession and a decline in the level of employment may lead to a decrease in amounts deposited into the different long-term savings channels, as well as to withdrawal of pension and mid-term savings (advanced education funds) for the purpose of consumption in the present, increase in bad debts, reduction in insurance coverage purchased through insurance policies and increase in the number of insurance events and claims (due to increased prevalence of theft and fraud), filing claims at an earlier date and fiercer competition in the various areas of activity.

In recent months there has been uncertainty due to the government's plans to promote changes in the legal system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. The legal reform or its consequences might impact the economic environment in which the Company operates, the cost of capital raising, the credit rating of Israel, and more. At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

Market risks - the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the Consumer Price Index and foreign currency, as well as asset liability management risk (ALM).

Liquidity risks - the risk of loss as a result of a possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time, or difficulty in meeting commitments, which may result from uncertainty regarding the date on which the Group will meet its commitments.

Credit risks - risk of loss as a result of non-compliance of a borrower/reinsurer with its commitments or as a result of changes in credit spreads in the capital market.

Operational risks - the risk of loss or harm to the Group's reputation due to inadequacy or failure of internal processes, people and systems or as a result of external events.

NOTE 41 - RISK MANAGEMENT (cont.)

Cyber risks - risk of loss, reputational damage to the Group, damage to the privacy of policyholders and planholders, and additional risks which may arise from a cyber event, including unauthorized use of identity, disruption of activity by impairing network activity or shutdown of services, damage to systems, theft of digital assets, infecting systems with malicious codes or malware, penetrating systems or disclosure of information.

Insurance risks - life and health insurance risks and actuarial risk in a pension fund (the actuarial risks in the pension fund apply to the planholders when their impact on the management company concerns management fees) arising from the uncertainty as to the payment of expected future claims with respect to assumptions concerning mortality rates/longevity, morbidity/disability rates, expenses, policyholders' behavior, cancellations or redemptions. Property and casualty insurance risks stem primarily from uncertainty as to pricing, models and assessment of reserves and catastrophe. Insurance risks also arise from emerging ESG risks, and in particular physical climate risks and transition risks that stem, among other things, from legislative and regulatory changes in the field of environment in Israel and across the world.

Legal risks - the Group is exposed to judicial decisions that may constitute a binding legal precedent with respect to its insurance activity, change the scope of its liabilities, and incur costs that were not anticipated when entering into the insurance policies or in prior assessments of insurance liabilities. In addition, the Group is exposed to lawsuits that have the potential to become class actions, with exposure to high amounts.

Regulatory and compliance risks - risks arising from the effect of regulatory changes on financial reporting, business operations and profitability. In addition, failure to comply with regulatory requirements may result in the imposition of sanctions and fines on the Group.

Reputational risk - the reputation of the Group, its financial strength and its good name constitute an important factor in the scope of its operations and profitability, in engaging new customers and in retaining existing customers. This risk may be a consequential risk of the materialization of other risks. Including the downgrading of the credit rating of group entities or securities issued by the group.

Business risks - risk of harm to the Group's profitability as a result of changes in the business environment, including an increase in the intensity of competition in the Group's areas of activity. Competition may be intensified by, among other things, fiercer competition between existing competitors, new competitors, and introduction of new distribution channels. Activity in the life insurance, provident and pension subsegments is exposed to policy cancellations and redemptions during the contract period. The Group's ability to maintain its existing portfolio depends, among other things, on its ability to achieve attractive yields relative to its competitors. The public's tendency to choose alternative products within the various areas or the public's tendency not to take out insurance may affect the demand for the Group's products and profitability in the various areas of activity.

This note provides information on the Group's exposure to the above risks, the Group's objectives, policies and processes regarding risk measurement and management. Further quantitative disclosure is included throughout the consolidated financial statements.

1. Description of risk management procedures and methods

In The Phoenix Holdings, risk management is carried out at the Group level, by the Chief Risk Officer, who is charged with risk management for The Phoenix Insurance and The Phoenix Pension and Provident and receives reports about the risks embodied in the financial activity of The Phoenix Investment House from The Phoenix Investment House's Chief Risk Officer.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

In addition, the risk management of Gama Management and Clearing Ltd. is performed by the Gama Credit Risk Manager; for further details on the subject, see Section 1.3 below. The Phoenix Investment House's activities include the areas of ETFs, mutual funds, portfolio management, stock exchange member, management and marketing of alternative products. These areas of activity have different risk characteristics than insurance operations and therefore risk management procedures and methods therein are different, as specified in Section 1.2. In some of The Phoenix Investment House's areas of activity, dedicated functions responsible for risk management and control have been appointed, in accordance with the specific regulatory guidance applicable to each company.

1.1. The insurance, pension funds and provident funds activity

Risk Management at The Phoenix Insurance Company and The Phoenix Pension and Provident (hereinafter, jointly - "The Phoenix Insurance, Pension and Provident") aims to support and protect the companies against unexpected losses that may prevent them from achieving their business objectives, while complying with regulatory requirements.

The Phoenix Insurance, Pension and Provident's risk management policy is based on a firm-wide risk management concept. According to this concept, the risk management processes (identification, measurement and evaluation, monitoring and mitigation, monitoring and reporting) for each material type of risk, are carried out across the Company's activities. The key elements of this approach are overall, forward-looking and dynamic risk management. As part of this policy, the Risk Management Department works to identify, assess and mitigate emerging ESG risks, and in particular physical climate risks and transition risks that stem, among other things, from legislative and regulatory changes in the field of environment in Israel and across the world.

The risk management unit works to implement a risk management culture in The Phoenix Insurance, Pension and Provident that reflects an understanding of the business activities and the risks involved, while constantly challenging the various business lines by the control and risk management functions.

The risk management process is carried out in collaboration with supporting units that include the actuarial, investment, reinsurance and comptroller functions.

At least once a year, the Board of Directors and the investment committees are presented with an exposure report that includes identification and mapping out of the risks that are material to the financial strength of the corporation, a description of the level of exposure to identified risks, a description of the control measures for these risks and recommendations for improvement of controls, as needed.

The Group attaches great importance to the involvement of the Board of Directors and the investment committees in the risk management process. In addition, the Board of Directors has appointed a Risk Management Committee, which discusses issues related to risk management and the economic solvency regime and risk appetite framework - and makes risk management policy recommendations to the Board of Directors. The board of directors of The Phoenix Insurance and the board of directors of The Phoenix Pension and Provident set risk limits relevant to the area of activity, such as a stress limit, ALM limit, CPI linkage limit, interest rate sensitivity limit and liquidity limit, for exposure to market risks as well as limits for aggregate exposures due to investment activity.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, pension funds and provident funds activity (cont.)

The Board of Directors and Investment Committees approve the investment policy and the credit granting policies and procedures in both planholders and nostro portfolios.

The board of directors of the Company and the board of directors of The Phoenix Insurance established strategy committees, which advise the boards on strategies and corporate development.

The following are the processes and methods for managing the various risks:

The board of directors of The Phoenix Insurance and the board of directors of The Phoenix Pension and Provident set a risk management policy, including with regard to the risk appetite of The Phoenix Insurance and The Phoenix Pension and Provident as to the various risk categories; The Phoenix Insurance and The Phoenix Pension and Provident operate in accordance with this policy.

1.1.1. Market and liquidity risks

The Group carries out its investments in accordance with the policy set by the Board of Directors and implemented by the various investment committees, subject to the Investment Regulations. The Group has implemented various systems for monitoring the market risks it faces. The controls are based on VaR (Value at Risk) calculations and various stress scenarios defined by the Company, using accepted methods to perform them. Risk measurement is performed on both assets and liabilities (ALM) using conventional methodologies based on VaR calculations and stress scenarios, which are performed according to a scenario defined as the result of extreme simultaneous changes in major market risks including interest rates, exchange rates and inflation rates, while taking into consideration the correlations between the various risk factors. Furthermore, sensitivity tests and calculations are carried out to measure the effect of changes in economic parameters, both on the Group's balance sheet and on The Phoenix Insurance's economic solvency ratio. The boards of directors set limits to values at risk under the risk management policy as described above, and receive a report on compliance therewith. Ongoing reports that carry out such analyses are submitted to the investment committees, which meet regularly.

As part of the ALM policy, the board of directors of The Phoenix Insurance has set sensitivity scenarios for the various risk factors, the maximum percentage of non-linked assets and a minimum percentage of liquid assets. In addition, the Investment Department holds regular discussions on results of the various investment portfolios and developments and changes in the markets. There are also ongoing controls in the back office unit as to data integrity and reliability. In addition, there are controls over compliance with the limits set by the Board of Directors, investment committees and Investment Regulations, which are regularly reviewed by the Investment Control Unit.

The boards of directors has set overall exposure limits (including: bonds, loans, shares, etc.), with the limits referring to a single issuer, Group, industry, geographical distribution and rating. Reports regarding the exposures and compliance with the limits are presented to the investment committees and the boards of directors.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, pension funds and provident funds activity (cont.)

1.1.1. Market and liquidity risks (cont.)

Liquidity risks are managed as part of a model developed by the Risk Management Department. The calculations are based on accepted methodologies in the field and examine the effect of a stress scenario on the Company's ability to liquidate the assets. During the reporting year, regular reports were produced, which concentrated the analyses as stated. The results of the model are also reported to the Board of Directors and Investment Committee.

The investment committees review the liquidity needs of The Phoenix Insurance (with separation between nostro and planholders' funds), Pension and Provident, taking into account the Company's total liquidity needs and the planholders' portfolios in times of crisis.

For more information on exposure to market risks and liquidity risks, see Section 3 and 4 below.

1.1.2. Credit risks in exposure to investment assets and reinsurers

Credit risks in exposure to investment assets

The Group has a credit policy, under which procedures for approving and granting loans are established, ranging from approval powers through the borrower's rating and analysis, to senior level approval or the relevant investment or credit committee, as required, all subject to the type of loan, rating and amount. The credit policy is based, inter alia, on the borrower's debt service capabilities, the quality of the collateral, financial strength, diversification of the credit portfolio among a large number of borrowers, etc.

Detailed reports regarding the overall exposure in the nostro and the participating portfolios are generated frequently, using various cross-sections, such as: exposure to an issuer, Group, industry, geographical exposure, exposure to credit ratings, etc. The boards of directors set limits for the maximum exposure rate for each of the cross-sections mentioned above and any "irregularities" are reported to the investment committees and to the boards of directors based on the reports generated. For more information regarding exposures to credit risks, see Section 6. The Phoenix has developed, validated and implemented a business credit rating model, in accordance with the Commissioner's directives. In addition, the VaR calculations combine the spread risk to quantify the credit risk.

The Risk Management Department assesses and challenges the rating of new illiquid borrowings by the finance function.

A "debt forum" has been appointed; it includes investment, finance and risk management personnel, which aims to carry out a process of controlling and classifying troubled debts and reporting to the boards of directors about such debts.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.1. The insurance, pension funds and provident funds activity (cont.)****1.1.2. Credit risks in exposure to investment assets and reinsurers (cont.)**Credit risks in exposure to reinsurers

The Phoenix Insurance purchases reinsurance policies in international markets. The Phoenix Insurance's ability to purchase reinsurance under good conditions is influenced by the Group's performance in particular and the global reinsurance capacity in general (which depends, inter alia, on the reinsurers' stability, the occurrence of catastrophe events in the world, and more). Changes in the prices and scope of reinsurance offered in these markets have an impact on the Group's profitability and ability to increase the volume of insurance and to undertake certain insurance liabilities. In addition, reinsurance does not exempt the Group from its obligations towards its policyholders according to the insurance policies and therefore the financial stability and credit rating of reinsurers may affect the business results of the insurance companies. Therefore, failure of a reinsurer to meet its obligations to the Group may have a material impact on The Phoenix Insurance's ability to meet its obligations to customers (e.g., upon the occurrence of a catastrophe event).

At least once a year, the Board of Directors of The Phoenix Insurance and the risk management committee discuss the policy of exposure to reinsurers and the insurer's assessments as to the management of the exposure and the controls. The exposure policy for reinsurers includes, among other things, the exposure management policy with reinsurers in the life, P&C and health segments, as well as defining a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors.

The Board of Directors of The Phoenix Insurance approved a set of limits designed to ensure proper diversification among reinsurers as a function of their rating and exposure to them, both upon the occurrence of a catastrophe event and in the ordinary course of business.

For further details regarding exposure to credit risks of investment assets and reinsurers, see Section 6.6 above.

1.1.3. Operational risk, including cyber and information security risk

As part of its business operations, the Group is exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security and cyber events, human errors (employees, agents and suppliers), embezzlement, fraud, cyber-crimes and external damage to the Company such as due to an earthquake. The materialization of one or more of these risks can cause significant damage.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.1. The insurance, pension funds and provident funds activity (cont.)****1.1.3. Operational risk, including cyber and information security risk (cont.)****Operational risks**

Operational risk management includes a variety of controls at various levels. These include controls embedded in the business process itself, controls in apps and IT systems, audit discussions in management forum and the Audit Committee's activity. The control array is based both on procedures and work practices defined by the managers responsible for the relevant activity and based on regulatory requirements such as the circular on embezzlement and fraud, information security, cyber, SOX 302 and SOX 404. There are also additional control entities in the business units.

The Group's internal audit system performs additional controls on a variety of areas of activity and, among other things, examines the existence and effectiveness of controls against operational risks while making recommendations for enhancing and improving controls.

Cyber risks

The Group makes preparations and invests significant resources in addressing the cyber risk, including cyber-attacks; this is done by setting information security policies, whose aim is to prevent or mitigate the exposure to cyber risks, and by setting a cyber crisis preparedness plan for the Company for the event that such risks materialize; this plan reflects, among other things, the Group and the management's commitment to this issue.

In addition, the policy defines the principles for secure development, which serve as the basis for the development and implementation of the Group's websites, and for the implementation and maintenance of controls, procedures and information security mechanisms in the Group's IT systems. Principles are in place that address detecting, alerting, preventing and documenting exposures and materialization of events that impair availability, reliability, accuracy and confidentiality of the Group's IT systems. Guidelines, areas of responsibility and applicability have been established in the process of incorporating and integrating information security guidelines into business aspects and ongoing operations. Appropriate administrative infrastructure has been put in place in order to define and implement the full range of required information security activities.

The officer in charge of the management of the Group's cyber risks is the deputy head of the technologies and cyber function, who reports directly to the Group's Chief Technology, Information Systems and Innovation Officer. Company's management regularly performs control processes to ensure that the Company is protected against the different cyber threats, and holds regular meetings of steering committees and face to face meetings of committees which monitor the progress of the cyber department's work plan. Based on those reports and other aspects, reports are issued on a regular basis to the Board of Directors, with Company's management implementing the risk management policy, and the board outlining guidance regarding cyber risks; therefore communication, coordination and collaboration between the Board of Directors and senior management in connection with identifying and assessing cyber risks are assigned great importance.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.1. The insurance, pension funds and provident funds activity (cont.)****1.1.3. Operational risk, including cyber and information security risk (cont.)****Cyber risks (cont.)**

The Board of Directors uses the services of an expert cyber advisor, who challenges the steps taken by the head of cyber security and the Company's preparations for dealing with the risk, conducts regular controls in connection with the issues presented in the Board of Directors' IT Committee and in the Board of Directors' plenum, and explains the risks and solutions, which are technological in nature, and require in depth understanding; in addition, the Company's Chief Internal Auditor also conducts audits on issues related to IT and cyber protections, with the support of external experts; the Chief Internal Auditor's reports, which are presented to the Audit Committee, are also used, among other things, as an effective foundation for the implementation of controls on behalf of the Board of Directors; the reports' findings are presented to the committee, and an orderly process is conducted to implement controls on the measures employed to address them.

The Phoenix has in place a regular process of assessing information security risks in IT systems and interfaces. The risk assessment defines the level of sensitivity of the systems and refers to the range of potential information security risks arising from the IT systems and current business conduct. Management directs appropriate resources to mitigate the risk based on the results of the risk assessment.

The Company operates dynamically to enhance and improve its cyber protection in accordance with the development of this risk. With a view to ensuring compliance with the IT systems' external and internal compliance requirements and internationally accepted standards, and to examine the risk management's effectiveness and safeguards applied relative to the risk assessment, information security risk audits and controlled penetration tests into the Company's IT systems are conducted periodically, and before any significant changes are made to the system or before introducing these systems to operational use. The Company has in place formal procedures, some of which are aimed to implement statutory requirements, and others address specific needs arising from the Company's activity; the Company conducts extensive resilience tests through external parties in order to assess the effectiveness of the mitigating controls implemented by the Company, and works to address the findings on a regular basis in accordance with the findings' severity; the Company also conducts IT surveys through a specialist external auditor; those surveys assess, among other things, aspects that pertain directly or indirectly to information security and cyber security. Alongside all of the above tests and assessments, the Company has a range of advanced technological capabilities, which it constantly uses to challenge the effectiveness of its protection functions by simulating an attack on the Company in a range of scenarios; by doing so, the Company ensures that its protective measures are effective.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.1. The insurance, pension funds and provident funds activity (cont.)****1.1.3. Operational risk, including cyber and information security risk (cont.)****Cyber risks (cont.)**

In 2022, cyber security actions focused on further reinforcing the organization's defenses by increasing technological and operational capabilities to mitigate cyber and information security risks, through, among other things, implementing advanced defense technologies, improving authentication and alert capabilities, and improving the organization's operational and technological cyber crisis management capabilities at the Group level. As part of the actions that were implemented, the information security department focused on increasing awareness among employees that serves as the most significant line of defense against cyber events, in order to identify such events and even prevent them. Furthermore, the information security department continued developing authentication controls as well as controls aimed to prevent information leakage, with the understanding that one of the Company's most significant assets is sensitive and private information of its customers. The Company believes that the implementation of the policy and tools for the management of the cyber risk is effective in addressing and mitigating that risk.

Business continuity plan (BCP)

As part of the Group's preparations for stress events, the Group has a business continuity plan (BCP) in place, which includes the Emergency Response Procedure, strategy papers and business continuity policies. The emergency response file defines the resources and time-lines needed to recover critical processes in the various units under reference scenarios the established. The Phoenix Insurance prepared BCP sites, designated an emergency management team, dedicated teams to address the emergency situation, as well as business emergency teams. In December 2022, a process started that entails exercises involving a cyber crisis management team that was set by the Company; the methodical exercise took place in connection with the management of business continuity in the event of a cyber event, in accordance with the guidelines of the Capital Market, Insurance and Savings Authority. The Group makes preparations for cyber-attacks and the disclosure of such attacks as they occur - this includes a pre-defined and systematic procedures and work processes for dealing with and responding to cyber events, and processes regarding disclosing and reporting a material cyber event to investors.

1.1.4. Insurance risks

Risk management processes in this area are carried out on several levels: at the Board of Directors, risk management committee, senior management, Risk Management Department, actuarial department, reinsurance department and control department. These processes include generating reports and holding discussions, as well as current reports on, among other things, exposure, adequacy of reserves, actuarial pricing, launch of insurance plans and/or new products.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.1. The insurance, pension funds and provident funds activity (cont.)

1.1.4. Insurance risks (cont.)

To the extent possible, significant life, health, and property and casualty insurance risks are estimated by applying a set of stress scenarios to the various portfolios in accordance with the Economic Solvency Regime.

New products launched by the Company are approved by the Chief Risk Officer, the Supervising Actuary, the IT systems manager and the legal counsel. The above assess the risks and exposures associated with the product, including with regard to the impact on the Economic Solvency Regime.

The risks embodied in insurance products are mitigated by the high diversification of insurance contracts. Risks are mitigated through the selection and implementation of underwriting strategies and diversification by industries, geographies, risk types, coverage level, etc. And through informed use of reinsurance to mitigate the risks.

The assessment of the Company's exposure to an earthquake risk in Israel, which is the major catastrophe event to which it is exposed, is conducted using international models, and the Company acquires protection for this risk based on this assessment.

For more information on exposure to insurance risks, see Section 5 below.

1.2. Financial services

The financial services segment mainly includes The Phoenix Investment House, and the activity of The Phoenix group's alternative investments funds under The Phoenix Advanced Investments.

1.2.1. The Phoenix Investment House

The activity of The Phoenix Investment House expose it to various risks, such as market risk (including currency risk and fair value risk with respect to interest rate and index risk), credit risk and liquidity risk, operational risk and regulatory risk. The following are details of risk factors involved in The Phoenix Investment House's activities and risk management procedures and methods:

A) Exposure to the capital market

The Phoenix Investment House manages tracker funds with variable management fees, which meant that fund managers would benefit from profits if the fund achieved excess return compared to the relevant index, and on the other hand - pay holders if the fund underperforms compared to the said index, up to 0.1%, 0.2% or 0.3% (depending on the type of the tracking fund's tracked asset).

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.2. Financial services (cont.)****1.2.1. The Phoenix Investment House (cont.)****A) Exposure to the capital market (cont.)**

As a result, The Phoenix Investment House is exposed to losses in a number of ETFs with variable management fees. Accordingly, the ETF manager operates in accordance with the market risk management policies (including interest rate risk), credit risks, liquidity risks and operational risks, which aim to ensure maximum correlation between the ETF's liability and the backing assets, including investment restrictions set in the funds' prospectuses and the provisions of the law, and the establishment of an investment policy approved by the Board of Directors of fund manager, which is reported to the public. In addition, as part of this amendment, a subsidiary of The Phoenix Investment House began providing market making services for the ETFs. The company provides market-making quotes for ETFs on the TASE and originates and redeems the units at the end trading for the fund manager. The market making company has exposures to the coverage required to originate and redeem the ETFs for the fund manager. The market making company has in place exposure limits for the purpose of restricting the exposure that will apply in respect of its activities as determined by the company's board of directors.

B) Market risks

The Phoenix Investment House group companies operate directly and indirectly in the areas of investment management, portfolio management, financial products, ETF and mutual fund management as well as management and marketing of alternative products. The capital market is characterized by volatility, due to, among other things, the effect of political, security and economic factors in Israel and globally, which the Group companies have no control over. Such volatility has an effect on the extent of the public's activity in the capital market and on securities' prices. A change in the total amount and value of the investment portfolios, fund assets and ETFs managed by the Group, as well as the number of Group customers, affects the income of the Group's companies. Therefore, adverse trends in securities' prices and volume of capital market activity may adversely affect the Group's results. The Group has implemented various systems for monitoring the market risks it faces. The controls are based, among other things, on various stress scenarios defined by The Phoenix Investment House or on calculations of exposures to sectors, borrower groups, and the like, using generally accepted methods. In addition, the various boards of directors and committees of subsidiaries have set limits on the values at risk that are reviewed on a regular basis. Regular reports which summarize the analyses as aforesaid are accordingly submitted for review by the various committees.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.2. Financial services (cont.)

1.2.1. The Phoenix Investment House (cont.)

C) Exchange rate risks

The Phoenix Investment House is exposed to foreign currency changes, mainly in the activities of the ETFs, for which variable management fees have been set, which include, among other things, issuing foreign currency linked bonds and/or issuing ETFs that are linked to a foreign index and, as a result may, may also be affected by foreign currency fluctuations, all up to 0.1%, 0.2% or 0.3%, depending on the type of the tracking fund's tracked asset. However, since The Phoenix Investment House invests the issuance proceeds of the above products in backing assets that track the index, including in the foreign currency and/or with linkage similar to that of the issued products, any net foreign exchange exposure has no material effect on the operating results of The Phoenix Investment House. Some of the revenue of The Phoenix Investment House group companies, mainly those of the TASE member, are denominated in foreign currency, mainly due to customers' transactions involving foreign securities. These revenues are subject to exchange rate changes.

D) Interest rate risk

As part of the ETF activity, The Phoenix Investment House invests in short-term deposits against the derivatives activity. Changes in the interest rate curves can cause a loss of income in funds with variable management fees, up to 0.1%, 0.2% or 0.3%, depending on the tracking fund's type of tracked asset. In addition, as part of the management of the customer deposits of the TASE member of The Phoenix Investment House, customer funds are deposited for different periods (up to one year) and changes in short-term interest rate curves may cause a loss.

E) Credit risk

The credit risks, handled at the group level of The Phoenix Investment House, stem mainly from cash and cash equivalents, deposits (including customer deposits held in trust), deposited with banks and other financial institutions in Israel and abroad. Termination of contracts with the aforementioned parties for reasons of lack of financial strength and/or financial stability and/or insolvency events by these third parties and/or for any other reason, could result in significant losses to The Phoenix Investment House and impair the scope of its activities.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.2. Financial services (cont.)****1.2.1. The Phoenix Investment House (cont.)****E) Credit risk (cont.)**

In addition, as part of its business activities, The Phoenix Investment House's TASE Member provides credit and guarantees to activities involving its customers' securities. The credit is backed in accordance with the TASE Regulations by the collateral of liquid securities, the prices of which may fall to such an extent that the collateral will not be sufficient to cover the credit. In the event of high volatility in the prices of the assets included in the said collateral, customers' collateral may be eroded such that the credit risk will increase. In addition, the TASE Member provided guarantees for the lending of securities.

As part of The Phoenix Investment House's membership with the Tel Aviv Stock Exchange, a total of approximately NIS 41 million (after the weights applied by the TASE) was deposited as of December 31, 2022, in favor of the TASE's risk reserve, in accordance with Excellence's proportionate share in trading on the TASE. The Phoenix Investment House's investments in non-recourse back-to-back bonds is the sole source of financing for payments to structured bond holders issued by subsidiaries, and therefore The Phoenix Investment House is not exposed to credit risk in respect of them. As a rule, each company's board of directors defined its credit risk appetite using designated limits that are regularly audited and reported to the relevant committees.

F) Liquidity risk

The mutual funds and the TASE member deposit balances from funds and securities under their management with banks and TASE members. Significant withdrawals by the customers could impair the financial assets.

Additional liquidity risks in The Phoenix Investment House may arise from a situation in which the TASE member may find it difficult to meet its financial obligations in market situations such as: unexpected customer withdrawals, unexpected demand for credit, and uncertainty about the availability of sources. To reduce exposure, procedures and/or policies were put in place to manage this risk; the procedures and policies are monitored regularly and reported to relevant forums.

During the past few years, The Phoenix Insurance issued insurance for The Phoenix Investment House a guarantee in respect of liquidity risks.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.2. Financial services (cont.)****1.2.1. The Phoenix Investment House (cont.)****G) Settlement risk**

The Phoenix Investment House carries out brokerage activities for customers, including the acquisition of Israeli and foreign securities, characterized by a time gap of up to t+3 between the purchase of the securities and receipt of the proceeds for the said purchase. Until the purchase proceeds are received, they are guaranteed by the securities purchased. As a result of the aforementioned time gap, in the event of non-payment of the consideration by the customers, The Phoenix Investment House is exposed to volatility in relation to the securities purchased and used as collateral for the purchase proceeds. Exposure controls have been set to mitigate this risk; controls are monitored regularly and reported to the relevant forums.

H) Risk of lending (short sale)

The Phoenix Investment House's exposure to securities with low marketability increases when short sales are carried out (lending), when trading is suspended or when there are trading difficulties, and may lead to a situation where The Phoenix Investment House group companies are unable to close the lending transaction in the quantities and dates required to carry out the covering activity in accordance with the terms and conditions of the lending transactions. However, in this context, it should be emphasized that the companies are careful to carry out the lending and selling activities in securities which have sufficient marketability. It should be noted that among other things the Company conducts locked box transactions with local banks to mitigate market risks; as part of these transactions, the Company conducts lending or short selling of securities against swap or futures transactions. The amount of the transactions is capped, and they are monitored on a regular basis.

I) Operational risk

In the course of its business operations, The Phoenix Investment House is exposed to numerous operational risks, including IT and cyber risks, such as: internal systems failure, information and IT and computer systems failure, including information security, human errors (employees, agents and suppliers), fraud, cyber-crimes and external damages such as earthquake. The materialization of one or more of these risks can cause significant damage. KSM Mutual Funds has developed an internal system for revaluing all ETFs independently of the operating bank. Damage to and/or shutdown of the system can adversely affect both the funds' management and their reputation. Accordingly, The Phoenix Investment House has drafted a business continuity plan designed to ensure the continued functioning of its business.

NOTE 41 - RISK MANAGEMENT (cont.)**1. Description of risk management procedures and methods (cont.)****1.2. Financial services (cont.)****1.2.1. The Phoenix Investment House (cont.)****I) Operational risk (cont.)**

Operational risk management includes a variety of controls at various levels as well as enforcement mechanisms. These include controls such as: audit committees' activity as well as controls embedded in the business process itself and controls in apps and IT systems. The control array is based both on the procedures and work practices defined by the managers responsible for each activity, and on various regulatory requirements. In addition, the companies periodically carry out operational risk surveys, including improvement of mitigation programs, to minimize the risks. Moreover, each company has defined business continuity plans that are reviewed at least once a year across all investment house companies.

J) Risk regarding regulatory changes

The Group's many areas of activity expose it to various regulators, who maintain a tight regulatory environment that is constantly evolving. Changes in legislation and regulations in the securities field in general, and in the field of financial products in particular, may adversely affect the ability of Group's companies to operate in their respective areas of activity and the Group's profitability in this area, reduce revenues and require them to have additional equity capital.

1.2.2. The Phoenix Advanced Investments

The activities of The Phoenix group's alternative investment funds exposes the group to a range of risks, including investment risks, credit risks, operational risks, regulation risks, legal risks and reputational risks. Since this is a business activity under development, the key risks arising to The Phoenix group as a result of this activity are reputational risks and legal risks.

1.3. The credit segment

As of the date of the report, most of the Group's credit activity is concentrated in Gama, and reported as a reportable segment (the credit segment). For further details, please see Note 3.

Gama is engaged in the provision of credit to licensed businesses and corporation through a range of products; credit to private customers accounts for a marginal portion of this activity. As part of its activities, Gama is exposed to a range of risks, including credit default and insolvency of borrowers.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3. The credit segment (cont.)

1.3.1. Risk management framework - Gama

The overall responsibility to establish and monitor Gama's risk management policy lies with its Board of Directors and management.

Gama's risk management policy was established in order to identify and analyze the risks it is exposed to, set adequate restrictions in respect of the risks, and controls to monitor them and to ensure compliance with the restrictions. The risk management policy and methods are reviewed continuously in order to reflect changes in market conditions and in Gama's activity. Gama works to achieve an effective control environment in which all employees understand their roles and responsibilities; this is achieved through training, standards and procedures.

The management of Gama's risks is conducted mainly by VP Credit Risks Management, in accordance with procedures approved by Gama's management. As part of his role, VP Credit Risks Management is in charge, among other things, on correct identification and assessment of the exposures; writing procedures, forming control mechanisms and testing their effectiveness; assessing credit applications and putting in place controls over Gama's compliance with the credit policy approved by the Board of Directors.

1.3.2. Credit risk

Gama's credit risk stems mainly from customers' debts to Gama. So long as the debt is not impaired (was not passed to the legal department), Gama monitors the credit risk at the level of closing balances and at segment level; once the debt becomes impaired, Gama manages the credit risk on a specific basis for each and every balance.

- Trade and other receivables: Gama's exposure to credit risks is mainly affected by the specific characteristics of each customer. Gama's ability to collect the entire debt in respect of transactions it executes may potentially have a significant effect on its operating results. Bad debts might have an adverse effect on Gama's profitability. In order to ensure the highest possible level of debt collection, and in order to instigate collection procedures against customers, Gama invests many resources in the mitigation of risks arising from its engagements with customers, including background and solvency checks, diversification of customers and avoiding inter-dependence or mutuality, etc. Furthermore, Gama demands various types of collateral as a condition for providing loans. Notwithstanding the foregoing, there is no certainty that the steps taken by Gama will ensure the repayment of the loans it provides; therefore, there is a constant exposure to this risk.
- Financial guarantees: Gama offers its customers the provision of guarantees of various types, including rental guarantees, suppliers guarantees, tender guarantees, and more. Gama's maximum exposure as of December 31, 2022 is NIS 99 million (as of December 31, 2021 - NIS 13 million). The maximum exposure to credit risk in respect of financial guarantees constitutes the maximum amount that Gama is required to pay in the event that the guarantee is exercised.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3. The credit segment (cont.)

1.3.2. Credit risk (cont.)

Collateral

Gama mitigates the credit risk through collateral, both at the level of the customer (where relevant) and at the level of the drawer.

Set forth below is information regarding the collateral available to Gama at the segment level; it should be noted that there are cases where only some of the collateral are required, in accordance with the sector, ownership, product, asset and equipment type, nature of the business and its classification, all subject to Gama's discretion:

- **Credit cards, factoring and clearing credit vouchers** - right of set-off in respect of balance of funds that have not yet been repaid to the business; right of recourse and promissory note of the business with respect of vouchers that were not repaid in contrast to the business's representations, personal guarantees and promissory note of the owners of the business for the debiting of the business; right to offset against other rights of the business towards Gama arising from other activities.
- **Checks factoring** - right of recourse and promissory note of the merchant that delivered the check; personal guarantees and promissory note of the owners of the merchant; right to offset against other rights of the merchant towards Gama arising from other activities; right of claim against any party who is signed on the check, including the drawer of the check, with Gama being entitled to hold the check.
- **Financing activity against real estate assets** - placing charges on real estate assets, including first ranking charge, with the maximum LTV approved by Gama to customer being 70% of the asset's value, in accordance with the nature of the borrower, and its business with the Company. Occasionally the real estate asset constitutes a component in a range of collateral required when credit is provided to the customer, such as indebtedness and promissory notes of the borrower and personal guarantors for the loan. The real estate assets mainly include residential properties (but not a property in which the borrower resides), commercial properties, offices and land. The LTV of 67% of the loans is lower than 60%.
- **Loans** - guarantee by the legal entity, owners' guarantee and a promissory note.
- **Factoring** - partial payment to the merchant out of the invoice amount; right of recourse and promissory note of the merchant with respect of invoices that were not repaid due to commercial disputes, personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right to offset against other rights of the merchant arising to Gama from other activities; right of claim against the debtor who issued the invoice.

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.3. The credit segment (cont.)

1.3.2. Credit risk (cont.)

- **Financial guarantees** - personal guarantees and promissory note of the owners of the merchant for the debiting of the merchant; right to offset against other rights of the merchant towards Gama arising from other activities.
- **Financing of equipment** - placing a fixed charge on the equipment whose purchase was financed; credit insurance in favor of Gama up to a certain percentage of the credit amount; indebtedness and promissory notes of the borrower and personal guarantors for the loan; right to offset against other rights of the merchant towards Gama arising from other activities.

1.3.3. Liquidity risk

Gama's financing sources and amounts have a direct effect on its turnover and profitability, as well as its stability. Gama's ability to provide loans and its operating capabilities are higher than its abilities to provide loans from own resources. Consequently, Gama is continuously engaged in developing and maintaining diverse funding sources - including credit from banks and institutional entities, bonds, and agreements for the sale of vouchers of transactions conducted using debit cards. Reducing Gama's capabilities to raise funding sources shall have an adverse effect on the level of services it provides. However, Gama believes that in view of the diversification of its sources of financing, and the access it has to multiple sources of financing, it is able to successfully mitigate that risk.

1.3.4. Market risk

- **Prime interest rate risk in respect of cash flows** - the credit Gama raises bears non-linked interest. Gama believes that an increase in the prevailing interest rates in Israel might give rise to a certain exposure in respect of deferred receivables that have not yet been repaid. In Gama's opinion, in view of the short average duration of its credit portfolio and the financing structure of its transactions, this exposure is not material.
- **Index risk and foreign currency risk** - the credit raised by Gama and the credit it extends to its customers is not linked to any index or foreign currency; therefore, its exposure to index risk and foreign currency risk is negligible.

1.4. The insurance agencies segment (cont.)

The Company holds a number of insurance agencies through The Phoenix Agencies. The agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including The Phoenix Insurance, as well as products of investment houses and other institutional entities. Set forth below are the key risks to which the insurance agencies segment is exposed:

NOTE 41 - RISK MANAGEMENT (cont.)

1. Description of risk management procedures and methods (cont.)

1.4. The insurance agencies segment (cont.)

1.4.1. Competition and business risks:

The insurance agencies area of activity is intensely competitive. Intensified competition, introduction of new competitors, including through digital distribution and service functions, as well as changes in customers' preferences might have an adverse effect on the financial results of the insurance agencies owned by the group.

1.4.2. Compliance risks, regulatory changes risks and legislation risks:

The insurance agencies' area of activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Furthermore, regulatory and legislation changes might have an adverse effect on insurance agencies' potential revenues and growth, whether directly in connection with payment of fees and commissions, or indirectly as a result of the effect of regulatory or legislation changes on insurance products sold, and on customers' preferences in connection with those products.

1.4.3. Operational risk including cyber and IT systems:

As part of its business operations, the insurance agencies are exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security, human errors (employees, agents and suppliers), embezzlement, fraud and computer crimes. The management of the cyber risks and IT systems risks in the insurance agencies segment is conducted by the group's risk management function. For further details, please see Section 1.1.3 above.

2. Legal requirements

The Group operates within the existing regulatory requirements and is in compliance with the various implementation schedules. Various regulatory requirements regarding risk management have been published in recent years; the main ones are as follows:

- 2.1. The provisions of the consolidated circular dealing with the risk management function and setting the powers, roles and work methods of a Chief Risk Officer and the risk management department.
- 2.2. The provisions of the institutional entities circular regarding the board of directors of an institutional entity, which includes a requirement for setting a risk exposure policy, exposure caps, procedures and tools to measure risks and place controls thereon.
- 2.3. Provisions regarding credit risk management, their assessment and controls, in Chapter 4 of the consolidated circular.

NOTE 41 - RISK MANAGEMENT (cont.)

2. Legal requirements (cont.)

- 2.4. Provisions of the consolidated circular regarding management of the credit risk against the exposure to reinsurers.
- 2.5. Provisions on handling specific categories of operational risks: embezzlement and fraud, management of information security risks, management of IT technologies and the risks arising therefrom and financial reporting controls (SOX) (for more information, see Section 1.1.3 above).
- 2.6. Supervisor's provisions regarding capital requirements - the Group is subject to the Supervisor's directives regarding capital requirements. On June 30, 2017, a risk-based economic solvency regime implemented by The Phoenix Insurance came into effect. For further details, see Note 8E.
- 2.7. The investment regulations - the Company manages assets in accordance with the Investment Regulations.
- 2.8. Circular regarding risk management by regulated financial services providers - aims to guide entities that provide financial services on the adoption of risk management processes.

3. Market risks

Market risk is, as stated, the risk that the fair value and/or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the consumer price index and foreign currency.

Following global macroeconomic developments that took place in the reporting period and through the report publication date, inflation rates in Israel and across the world increased. As part of the steps taken to keep inflation under control, central banks across the world, including the Bank of Israel, started announcing interest rates hikes; accordingly, market interest rates also increased. Changes in inflation and interest rates affect the financial results of the Company and in particular those of The Phoenix Insurance. For further details on the Company's sensitivity to interest and inflation, including changes in those sensitivities, see Sections 3.2. 3.3 and 3.4 below.

The main market risks the Group faces are as follows:

Interest rate risk - the risk that the value of a financial asset and/or liability will change as a result of changes in market interest rates. In most of the Company's areas of activity, the average duration of assets does not match the average duration of liabilities, especially life insurance liabilities, the average duration of which is significantly longer than that of the assets. As a result, the Company is exposed to a decline in interest rates that reduces future returns when refinancing the assets against liabilities and reduces the value embodied in life insurance portfolio.

Equity and non-financial assets risk - a risk arising from changes in stock prices or the fair value of non-financial assets.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

Credit spread risk - the loss that may be caused by changes in the credit spread risk between corporate bonds and (risk-free) government bonds. Changes in credit spreads should reflect the changes in the borrower's probability of default (PD) and the changes derived from the "market" fluctuations. The Company invests in shekel-denominated corporate bonds, CPI-linked and forex-linked bonds and is exposed to increase in credit spreads.

Risks related to the CPI - a real loss due to the erosion of the value of shekel-denominated assets as a result of rising inflation beyond the inflation expectations implicit in the capital market, against the insurance liabilities, most of which are CPI-linked. In life insurance (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. This risk is material, especially in *nostro* portfolios, where almost all liabilities are linked to the CPI, while not all assets are CPI-linked.

Currency risk - the risk that the fair value or future cash flows arising from an asset or liability will change as a result of changes in foreign exchange rates.

The value of the Group's assets and liabilities is exposed to the risks outlined above. Therefore, the income from the investments against the insurance and equity reserves has a material effect on profit. A significant portion of the Group's asset portfolio is invested in liquid securities and financial derivatives, which are characterized by volatility as a result of political and economic events in Israel and around the world. Liquid securities are recorded in accordance with their prices on the TASE as of the reporting date. As a result, the volatility of these investments may have a material effect on the Group's profitability and equity capital.

The extent of the effect on earnings depends on the characteristics of the insurance liabilities (*nostro*, yield-dependent) and the terms and conditions of the management fees for the products against which the relevant reserve is held.

3.1. Yield-dependent contracts

Yield-dependent liabilities are liabilities in respect of contracts in which the beneficiary's insurance benefits depend on the yield generated by investments that are recorded against the liabilities in respect of these policies, net of management fees as follows:

- In participating policies issued from 2004 onwards - the return on investments is credited to the policyholders while the insurer is entitled to fixed management fees. In accordance with the Knesset Finance Committee's decision, as of January 2014, the maximum annual management fees were limited to 1.05% of the accumulated balance and up to 4% of current contributions, with the recipients of old-age and dependents allowances paying up to 0.6% (0.3% in policies sold as of February 2022) of the assets against the fund's obligations towards them. It should be noted that for insurance policies, the management fees cap will not apply to insurance policies issued before January 1, 2013. In these products, the effect of the returns on the insurance company's profits is reduced to the exposure derived from the total amount of the reserve from which the insurer's management fees are derived.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.1. Yield-dependent contracts (cont.)

- In participating policies issued until December 31, 2003, the return on investments is credited to the policyholders, while the insurer is entitled to a fixed management fees of 0.6% of the accrual, and to variable management fees of 15% of the real profit obtained after deduction of the fixed management fees. In these policies, when the return is negative, the Company may not charge variable management fees as long as a positive return has not been achieved that will cover the accumulated negative return. In the case of these products, in addition to the accrual-derived exposure, the Company's profits are affected by the variable management fees derived in accordance with the real return credited to the policyholders.
- In the pension and provident funds business, excluding Gmula (which ensures returns) the return on investments (net of fixed management fees) is credited to the planholders and therefore, the effect of the investment results on the profits of the pension fund's management company or the provident funds is derived from the management fees paid to the management company, based on total assets under management.

With regard to the assets and liabilities in respect of these products, the insurance company does not have direct exposure to changes in the interest rates, fair value of the investments or CPI, except for the potential effect on the K factor, paid pensions reserve and the reserve to deferred annuity in participating policies. The effect of the financial results on the insurance company's profits is reduced to exposure derived from the variable management fees, which vary according to the volatility of the return credited to the policyholders, only for policies issued until 2004 and from the total liabilities from which the insurer's fixed management fees are derived for all yield-dependent products.

In view of the above, the sensitivity tests and the repayment dates of the liabilities as listed in the tables below do not include yield-dependent contracts, except through the effect of the interest rate on the K factor, paid pension liabilities and the liability for deferred annuity in respect of these contracts.

The following is a sensitivity test for yield-dependent contracts and the manner by which profit (loss) is affected by any change in yields:

Any 1% change in the real return on investments under yield-dependent contracts in respect of policies issued until 2004, the liability amount of which as of December 31, 2022 is NIS 35 billion (NIS 39 billion at December 31, 2021) affects the variable management fees by NIS 53 million (in 2021 - a total of NIS 58 million); such a 1% change affects the fixed management fees by NIS 2 million (no significant change over last year). The effect of such a change on policies issued from 2004 onwards is immaterial. For more information on variable management fees, see Note 30.

This sensitivity test does not take into account a scenario where management fees are not collected due to negative real return until accumulated positive return is achieved. For information regarding the estimated amount of management fees that will not be collected due to this negative return, see also Notes 30 and 44.

NOTE 41 - RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.2. Sensitivity tests regarding market risks for non-yield dependent contracts**

In non-participating life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "Hetz") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the entire life of the policies. As of December 31, 2022, the designated bonds covered approximately 68.95% (as of December, 31, 2021 - approximately 65.65%) of total life insurance liabilities in these plans. Thus, changes in the capital markets may have a material effect on the Group's results of operations. Changes in the Consumer Price Index and exchange rates may also have a material effect on the Group's results of operations.

For other investments in the life insurance business, there is exposure to interest rates that will prevail upon recycling the investments whose duration may be less than the average duration of insurance liabilities. For these products, as well as for ongoing payment claims, long-term care insurance and income protection insurance, the calculation of the insurance liability is based on the policy's calculative interest rate.

The following are sensitivity tests that show the change in the income (loss) for the period and total comprehensive income (loss) for financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date and assuming that all other variables remain constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant. The changes in variables are in relation to the carrying amount of the assets and liabilities. It has also been assumed that the aforementioned changes do not reflect a permanent impairment of assets presented at amortized cost or of available-for-sale assets and, therefore, in the above sensitivity tests, no impairment losses were included for these assets. Sensitivity tests reflect only direct effects; they do not reflect secondary effects. It should also be noted that the sensitivities are not linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.2. Sensitivity tests regarding market risks for non-yield dependent contracts (cont.)

As of December 31, 2022:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)		% of change in foreign currency exchange rates	
	1%+	1%-	10%+	10%-	1%+	1%-	10%+	10%-
	NIS thousand							
Profit (loss)	185,166	(463,971)	59,631	(59,631)	(49,393)	49,393	(242,490)	242,490
Comprehensive income (loss) (shareholders' equity) (4)	14,987	(271,907)	484,979	(484,979)	(49,393)	49,393	55,222	(55,222)

As at December 31, 2021:

	Interest rates (1) (2)		Investments in equity instruments (3)		% of change in the Consumer Price Index (5)(*)		% of change in foreign currency exchange rates(*)	
	1%+	1%-	10%+	10%-	1%+	1%-	10%+	10%-
	NIS thousand							
Profit (loss)	636,301	(773,432)	31,678	(31,678)	(50,009)	50,009	(140,441)	140,441
Comprehensive income (loss) (shareholders' equity) (4)	248,024	(311,074)	452,140	(452,140)	(50,009)	50,009	124,441	(124,441)

(*) Reclassified.

- (1) The interest rate change sensitivity analysis applies to both fixed interest rate instruments and variable interest rate instruments. The exposure related to fixed interest rates instruments is calculated in relation to the instruments' carrying amount, and the exposure in relation to variable interest rate instruments is calculated in relation to the interest income. Out of assets with direct interest rate risk, the sensitivity tests did not take into account illiquid debt assets classified as loans and receivables, which are not taken into account in liability adequacy testing, and in testing cash and cash equivalents, reinsurance assets, customer loans and collectible checks, assets against participating policies, financial liabilities and reinsurers' deposits and balances. The assets to which the sensitivity analysis was applied constitute approximately 11% of total assets for non-yield dependent contracts (December 31, 2021 - 16%).
- (2) The sensitivity analysis includes the effect on the insurance liabilities, including the effect of the liability adequacy testing for life insurance and long-term care reserves, as well as income protection and long-term care insurance policies against the value of the portfolio as described in Note 2.J. The effect of a 1% decrease in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at a NIS 631 million profit after tax (approximately NIS 805 million as of December 31, 2021). The effect of a 1% increase in the interest rate on the profit and comprehensive income in respect of insurance liabilities included in the sensitivity analysis is estimated at a NIS 351 million increase after tax (NIS 664 million as of December 31, 2021).
- (3) Investments in instruments with no fixed cash flows, or alternatively, where the Company has no information about this cash flow (in accordance with the definitions in IFRS 7 - do not include investments in associates). Sensitivity analyses are based on carrying amount rather than on economic value. As to derivatives, the effect on exposure was calculated in delta terms.
- (4) The sensitivity analyses in relation to the comprehensive income (loss) also reflect the effect on the income (loss) for the period. The calculation takes into account the relevant tax rate for each period.
- (5) Non-monetary items were also included in the sensitivity tests for the CPI and currencies.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3. Direct interest rate risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are cleared in cash. The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices.

The following is a breakdown of assets and liabilities according to exposure to interest rate risks:

	As of December 31, 2022		
	Non yield-dependent	Yield-dependent	Total
	NIS thousand		
Assets with direct interest rate risk			
Liquid debt assets	5,659,895	21,252,417	26,912,312
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,562,862	312,585	8,875,447
Other	7,898,638	7,994,341	15,892,979
Other financial investments	134,935	474,531	609,466
Cash and cash equivalents	3,439,766	16,358,509	19,798,275
Reinsurance assets	3,045,314	126,935	3,172,249
Customer loans and collectible checks	2,091,271	-	2,091,271
Total assets with direct interest rate risk	30,832,681	46,519,318	77,351,999
Assets without direct interest rate risk (*)	20,628,908	49,536,270	70,165,178
Total assets	51,461,589	96,055,588	147,517,177
Liabilities with direct interest rate risk			
Financial liabilities	11,682,869	1,422,695	13,105,564
Liabilities in respect to insurance contracts and investment contracts	25,458,496	94,042,093	119,500,589
Deposits by reinsurers and others	1,516,378	66,728	1,583,106
Total liabilities with direct interest rate risk	38,657,743	95,531,516	134,189,259
Liabilities without direct interest rate risk (**)	2,767,791	26,729	2,794,520
Equity capital	10,533,398	-	10,533,398
Total capital and liabilities	51,958,932	95,558,245	147,517,177
Total assets less liabilities	10,036,055	497,343	10,533,398
Off-balance sheet risk (commitments to provide credit)	3,515,477	1,538,206	5,053,683

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition expenses and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.3. Direct interest rate risk (cont.)

	As of December 31, 2021		
	<u>Non yield- dependent</u>	<u>Yield- dependent</u>	<u>Total</u>
	NIS thousand		
Assets with direct interest rate risk			
Liquid debt assets	7,472,933	22,194,850	29,667,783
Illiquid debt assets:			
Hetz bonds and treasury deposits	8,166,309	370,837	8,537,146
Other	5,798,132	7,730,045	13,528,177
Other financial investments	503,991	864,723	1,368,714
Cash and cash equivalents	2,154,153	13,785,593	15,939,746
Reinsurance assets	2,674,947	131,599	2,806,546
Customer loans and collectible checks	1,438,876	-	1,438,876
Total assets with direct interest rate risk	28,209,341	45,077,647	73,286,988
Assets without direct interest rate risk (*)	<u>18,253,571</u>	<u>52,039,016</u>	<u>70,292,587</u>
Total assets	<u>46,462,912</u>	<u>97,116,663</u>	<u>143,579,575</u>
Liabilities with direct interest rate risk			
Financial liabilities	8,526,941	285,741	8,812,682
Liabilities in respect to insurance contracts and investment contracts	25,112,986	95,628,584	120,741,570
Deposits by reinsurers and others	<u>1,235,011</u>	<u>72,285</u>	<u>1,307,296</u>
Total liabilities with direct interest rate risk	34,874,938	95,986,610	130,861,548
Liabilities without direct interest rate risk (**)	<u>2,747,845</u>	<u>47,093</u>	<u>2,794,938</u>
Equity capital	<u>9,923,089</u>	<u>-</u>	<u>9,923,089</u>
Total capital and liabilities	<u>47,545,872</u>	<u>96,033,703</u>	<u>143,579,575</u>
Total assets less liabilities	<u>8,840,129</u>	<u>1,082,960</u>	<u>9,923,089</u>
Off-balance sheet risk (commitments to provide credit)	<u>2,866,912</u>	<u>1,012,291</u>	<u>3,879,203</u>

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition expenses and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

NOTE 41 - RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4. Breakdown of assets and liabilities by linkage bases (*)**

	As of December 31, 2022							Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD- linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	Liabilities for yield- dependent contracts	
	NIS thousand							
Intangible assets	-	-	-	-	-	2,991,526	-	2,991,526
Deferred tax assets	-	-	-	-	-	72,649	-	72,649
Deferred acquisition costs	-	-	-	-	-	2,452,273	1,110	2,453,383
Property, plant & equipment	-	-	-	-	-	1,151,443	-	1,151,443
Investments in associates	15,014	19,408	-	-	-	1,559,315	-	1,593,737
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	2,142,074	2,142,074
Investment property - other	-	-	-	-	-	1,147,899	-	1,147,899
Reinsurance assets	958,370	2,046,059	40,885	-	-	-	126,935	3,172,249
Receivables and debit balances	618,092	-	108,514	-	-	-	3,687	730,293
Held-for-sale asset	-	-	-	-	-	18,387	-	18,387
Credit for purchase of securities	673,790	-	91,210	-	-	-	-	765,000
Current tax assets	-	157,835	-	-	-	-	-	157,835
Premiums collectible	389,053	303,111	36,163	-	-	-	29,002	757,329
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	201,000	-	-	-	-	201,000
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	77,394,271	77,394,271
Credit in respect of factoring, clearing and financing	3,443,337	-	-	-	-	-	-	3,443,337
Other financial investments:								
Liquid debt assets	1,348,209	2,564,822	1,225,418	367,266	154,180	-	-	5,659,895
Illiquid debt assets	3,600,373	11,315,460	776,345	555,405	213,917	-	-	16,461,500
Shares	-	-	-	-	-	2,402,272	-	2,402,272
Other	106,425	-	93,845	24,017	3,487	4,775,049	-	5,002,823
Total other financial investments	5,055,007	13,880,282	2,095,608	946,688	371,584	7,177,321	-	29,526,490
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	-	-	16,358,509	16,358,509
Other cash and cash equivalents	2,494,588	-	658,268	129,606	157,304	-	-	3,439,766
Total assets	13,647,251	16,406,695	3,231,648	1,076,294	528,888	16,570,813	96,055,588	147,517,177

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4. Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31, 2022							Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non- financial and other items	Liabilities for yield- dependent contracts	
	NIS thousand							
Total equity	-	-	-	-	-	10,533,398	-	10,533,398
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	940,526	24,464,998	52,972	-	-	-	-	25,458,496
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	94,042,093	94,042,093
Liability for current taxes	-	64,793	-	-	-	-	-	64,793
Deferred tax liabilities	-	-	-	-	-	589,897	-	589,897
Liability for employee benefits, net	66,667	-	-	-	-	-	-	66,667
Payables and credit balances	2,850,601	64,661	418,400	-	28,452	-	93,457	3,455,571
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	200,698	-	-	-	-	200,698
Financial liabilities	8,783,861	1,850,188	834,480	103,604	9,742	100,994	1,422,695	13,105,564
Total liabilities	12,641,655	26,444,640	1,506,550	103,604	38,194	690,891	95,558,245	136,983,779
Total equity and liabilities	12,641,655	26,444,640	1,506,550	103,604	38,194	11,224,289	95,558,245	147,517,177
Total balance sheet exposure	1,005,596	(10,037,945)	1,725,098	972,690	490,694	5,346,524	497,343	-
Exposure to foreign currency through derivatives in delta terms	4,960,260	2,532,720	(5,034,146)	(1,704,694)	(756,174)	2,034	-	-
Total exposure	5,965,856	(7,505,225)	(3,309,048)	(732,004)	(265,480)	5,348,558	497,343	-

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD and EUR.

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4. Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31, 2021						Liabilities for yield-dependent contracts	Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD-linked	In EUR or EUR-linked	In foreign currency or linked thereto	Non-financial and other items		
	NIS thousand							
Intangible assets	-	-	-	-	-	2,775,060	-	2,775,060
Deferred tax assets	-	-	-	-	-	67,650	-	67,650
Deferred acquisition costs	-	-	-	-	-	2,009,402	1,246	2,010,648
Property, plant & equipment	-	-	-	-	-	902,239	-	902,239
Investments in associates	59,740	17,397	-	6,170	-	1,263,076	-	1,346,383
Investment property in respect of yield-dependent contracts	-	-	-	-	-	-	2,062,862	2,062,862
Investment property - other	-	-	-	-	-	1,124,834	-	1,124,834
Reinsurance assets	721,322	1,917,122	36,503	-	-	-	131,599	2,806,546
Receivables and debit balances	653,542	1,833	46,137	-	-	-	11,112	712,624
Credit for purchase of securities	426,000	-	71,000	-	-	-	-	497,000
Current tax assets	-	108,134	-	-	-	-	-	108,134
Premiums collectible	346,908	300,056	-	-	-	-	25,592	672,556
Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates	-	-	206,000	-	-	-	-	206,000
Financial investments in respect of yield-dependent contracts	-	-	-	-	-	-	81,098,659	81,098,659
Credit in respect of factoring, clearing and financing	2,550,392	-	-	-	-	-	-	2,550,392
Other financial investments:								
Liquid debt assets	1,739,872	4,187,102	1,109,967	249,957	186,035	-	-	7,472,933
Illiquid debt assets	2,345,343	10,724,425	320,306	392,189	182,178	-	-	13,964,441
Shares	-	-	-	-	-	2,761,897	-	2,761,897
Other	479,076	18,039	60,441	13,689	1,492	3,926,234	-	4,498,971
Total other financial investments	4,564,291	14,929,566	1,490,714	655,835	369,705	6,688,131	-	28,698,242
Cash and cash equivalents in respect of yield-dependent contracts	-	-	-	-	-	-	13,785,593	13,785,593
Other cash and cash equivalents	1,243,654	-	442,941	376,199	91,359	-	-	2,154,153
Total assets	10,565,849	17,274,108	2,293,295	1,038,204	461,064	14,830,392	97,116,663	143,579,575

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

NOTE 41 - RISK MANAGEMENT (cont.)**3. Market risks (cont.)****3.4. Breakdown of assets and liabilities by linkage bases (*) (cont.)**

	As of December 31, 2021							Total
	In NIS - non-linked	In NIS - CPI-linked	In USD or USD- linked	In EUR or EUR- linked	In foreign currency or linked thereto	Other non- monetary items	Liabilities for yield- dependen t contracts	
	NIS thousand							
Total equity	-	-	-	-	-	9,923,089	-	9,923,089
Liabilities								
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	824,860	24,241,603	46,523	-	-	-	-	25,112,986
Liabilities in respect of insurance contracts and yield-dependent investment contracts	-	-	-	-	-	-	95,628,584	95,628,584
Deferred tax liabilities	-	-	-	-	-	873,302	-	873,302
Liability for employee benefits, net	72,401	-	-	-	-	-	-	72,401
Liability for current taxes	-	28,528	-	-	-	-	-	28,528
Payables and credit balances	2,495,983	3,365	285,983	18,294	-	-	119,378	2,923,003
Liabilities for bonds, ETFs, short ETNs and composite ETNs	-	-	205,000	-	-	-	-	205,000
Financial liabilities	6,582,191	1,792,605	87,112	6,430	6,399	52,204	285,741	8,812,682
Total liabilities	9,975,435	26,066,101	624,618	24,724	6,399	925,506	96,033,703	133,656,486
Total equity and liabilities	9,975,435	26,066,101	624,618	24,724	6,399	10,848,595	96,033,703	143,579,575
Total balance sheet exposure	590,414	(8,791,993)	1,668,677	1,013,480	454,665	3,981,797	1,082,960	-
Exposure to foreign currency in underlying assets through derivatives in delta terms (**)	4,415,137	1,193,222	(3,861,847)	(1,239,131)	(530,221)	22,840	-	-
Total exposure	5,005,551	(7,598,771)	(2,193,170)	(225,651)	(75,556)	4,004,637	1,082,960	-

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exchange rate exposure, it is mainly due to exposure to the USD and EUR

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure. For details on foreign exchange exposure, please see the sensitivity table in Section 3.2 to this note.

(**) Reclassified.

NOTE 41 - RISK MANAGEMENT (cont.)

3. Market risks (cont.)

3.5. Details of exposure to economic sectors for investments in share:

	As of December 31, 2022					
	Traded on the Tel Aviv 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	NIS thousand					
Economic sector						
Manufacturing	126,534	54,976	48,886	321,078	551,474	22.80%
Construction & real estate (*)	266,307	72,617	-	90,564	429,488	17.90%
Electricity and water	115,681	42,179	12,435	37,614	207,909	8.70%
Commerce	16,535	1,756	-	-	18,291	0.80%
Communications and IT services	92,296	21,351	-	163,948	277,595	11.60%
Banks	450,156	-	1,695	-	451,851	18.80%
Financial services	79,513	8,040	22,478	23,842	133,873	5.60%
Other business services	143,319	68,180	71,126	49,166	331,791	13.80%
Total	1,290,341	269,099	156,620	686,212	2,402,272	100.00%

(*) There is another exposure to the real estate subsegment due to the investment in investees. For further details, see Note 8 above.

	As of December 31, 2021					
	Traded on the Tel Aviv 125 Index	Included in the Yeter - Rest of Shares Index	Illiquid - in Israel	Overseas	Total	% of total
	NIS thousand					
Economic sector						
Manufacturing	147,158	103,840	35,884	455,302	742,184	26.90%
Construction & real estate (*)	144,470	194,475	116,224	107,822	562,991	20.40%
Electricity and water	118,832	48,220	10,819	49,277	227,148	8.20%
Commerce	22,093	11,076	-	-	33,169	1.20%
Communications and IT services	135,187	24,447	-	210,520	370,154	13.40%
Banks	243,950	-	1,782	-	245,732	8.90%
Financial services	76,147	16,165	16,810	61,333	170,455	6.20%
Other business services	143,923	75,623	75,941	114,577	410,064	14.80%
Total	1,031,760	473,846	257,460	998,831	2,761,897	100.00%

(*) There is another exposure to the real estate subsegment due to the investment in investees. For further details, see Note 8 above.

NOTE 41 - RISK MANAGEMENT (cont.)

4. Liquidity risks

A possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time may lead to losses. The Group owns, among other things, illiquid assets as well as assets with low marketability. These holdings include corporate bonds, loans, illiquid stocks, stocks with low marketability and alternative investments. The marketability issue is aggravated in times of crisis when the deterioration in the markets adversely affects the ability to liquidate assets.

The Phoenix Insurance is exposed to risks arising from uncertainty as to when the Company will be required to pay claims and other benefits to policyholders or other liabilities, in relation to the amount of funds available for that purpose at that date. The need for unexpected and short-term borrowing may require the disposal of assets within very short notice at prices that will not necessarily reflect their market value. However, much of its insurance liabilities in the life insurance sector are not exposed to liquidity risk due to the nature of the insurance contracts as described below:

1. Yield-dependent contracts in life insurance - under the terms and conditions of the contracts, policyholders are entitled to receive only the value of the said investments, beyond which The Phoenix Insurance has no obligations. Therefore, if investments are impaired for any reason, there would be a corresponding decline in the Company's liabilities.
2. About 12.42% (12.16% in 2021) of the life insurance portfolio is in respect of contracts that are not yield-dependent but guarantee an agreed return. These contracts are mainly backed by designated bonds (Hetz) issued by the Bank of Israel. The Company is entitled to sell these bonds when the said policies are redeemed.

The liquidity risk of the Group stems therefore mainly from the balance of assets other than designated bonds and not against yield-dependent contracts. These assets constitute approximately 29% (approximately NIS 43 billion) of the Group's total assets (in 2021 - approximately 27%, which amounted to approximately NIS 38 billion). Of the balance of the said assets, a total of approximately NIS 8.1 billion (in 2021 - approximately NIS 10.7 billion) are liquid assets.

Under the Investment Regulations, The Phoenix Insurance must hold liquid assets, as defined in the Investment Rules, against equity and liabilities not arising from its insurance business. The Phoenix meets the liquidity requirements.

Asset and Liability Management (ALM)

The Company manages its assets and liabilities in accordance with the requirements of the Supervision Law and the regulations promulgated thereunder, and in accordance with the Board of Directors' guidelines. The tables below summarize the estimated repayment dates of the Company's uncanceled insurance and financial liabilities. Since these amounts are not capitalized, there is no adjustment between them and the balance of insurance and financial liabilities as per the balance sheet.

- 1) The estimated maturity dates for life and health insurance liabilities are included in the tables as follows:

Saving funds - contractual repayment dates, i.e. retirement age, excluding cancellation assumptions, assuming that all savings will be withdrawn as capital rather than as annuity.

Paid pension, paid income protection and paid long-term care - based on an actuarial estimate.

Other - reported under the column "no defined repayment date".

NOTE 41 - RISK MANAGEMENT (cont.)**4. Liquidity risks (cont.)**Asset and Liability Management (ALM) (cont.)

- 2) The estimated repayment dates of the gross property and casualty insurance liabilities are calculated on the basis of an actuarial estimate that allocates and estimated date to total non-capitalized liabilities, based on past experience regarding claims payment. Total liabilities also include a reserve for unexpected deviations and a reserve for unearned premium less deferred acquisition expenses and premium deficiency.

Liabilities are subject to reserve risk. The actuarial models are based on the fact that behavior pattern of past claims represents that which will happen in the future, and the estimated cash flow is exposed to model risk and parameter risk, including the risk that the amount paid for the settlement of the Company's insurance liabilities or the date of settlement of the insurance liabilities will be other than expected.

- 3) The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counter-party may select the timing of payment, the liability is presented on the earliest date on which the Company may be required to pay the liabilities.
- 4) The table of financial liabilities and liabilities for investment contracts presents an analysis of its financial liabilities, classified according to their remaining term to contractual maturity. Derivative financial liabilities are included in the analysis with their contractual maturity dates that are essential for understanding the timing of cash flows. The amounts shown in the table are non-discounted contractual cash flows. The Group has various sources for repayment of the liabilities shown in the table.

Liabilities in respect of life and health insurance contracts (*)

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Over 15 years	No defined repayment date	Total
	NIS thousand						
As of December 31, 2022	<u>3,520,474</u>	<u>6,676,526</u>	<u>1,946,837</u>	<u>999,650</u>	<u>1,071,175</u>	<u>2,899,251</u>	<u>17,113,913</u>
As of December 31, 2021	<u>3,075,861</u>	<u>6,389,291</u>	<u>1,909,941</u>	<u>970,268</u>	<u>1,020,672</u>	<u>3,985,111</u>	<u>17,351,144</u>

- (*) Excludes liabilities in respect of yield-dependent contracts and liabilities of provident fund management companies.

Liabilities in respect of property and casualty insurance contracts

	Over one year and up to 3 years	Over 3 years and up to 5 years	Over 5 years	No defined repayment date	Total
	NIS thousand				
As of December 31, 2022	<u>3,983,771</u>	<u>1,318,531</u>	<u>1,653,378</u>	<u>-</u>	<u>6,955,680</u>
As of December 31, 2021	<u>3,622,344</u>	<u>1,226,919</u>	<u>1,523,560</u>	<u>-</u>	<u>6,372,823</u>

NOTE 41 - RISK MANAGEMENT (cont.)**4. Liquidity risks (cont.)**Financial liabilities and liabilities in respect of investment contracts

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Total
NIS thousand					
As of December 31, 2022:					
Liquid bonds	100,108	1,180,567	1,074,433	-	2,355,108
Short-term credit from banking corporations	577,658	-	-	-	577,658
Loans from non-bank entities	483,354	393,047	-	-	876,401
Short sales	1,189,653	-	-	-	1,189,653
Liability for REPO	722,370	-	-	-	722,370
Subordinated notes	546,018	2,562,201	1,802,335	-	4,910,554
Derivatives	1,693,315	-	-	-	1,693,315
Trade receivables for credit cards	1,571,513	-	-	-	1,571,513
Lease liability	35,155	63,448	11,138	-	109,741
Total financial liabilities	<u>6,919,144</u>	<u>4,199,263</u>	<u>2,887,906</u>	<u>-</u>	<u>14,006,313</u>
Liabilities in respect of yield-dependent investment contracts (*)	<u>20,815,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,815,236</u>

	Up to one year	Over one year and up to 5 years	Over 5 years and up to 10 years	Over 10 years and up to 15 years	Total
NIS thousand					
As of December 31, 2021:					
Liquid bonds	316,954	268,963	922,303	-	1,508,220
Short-term credit from banking corporations	159,195	-	-	-	159,195
Loans from non-bank entities	587,500	-	-	-	587,500
Short sales	828,576	-	-	-	828,576
Subordinated notes	104,964	2,906,362	875,411	204,040	4,090,777
Derivatives	384,578	-	-	-	384,578
Trade receivables for credit cards	1,433,827	-	-	-	1,433,827
Lease liabilities	29,248	68,141	25,994	-	123,383
Total financial liabilities	<u>3,844,842</u>	<u>3,243,466</u>	<u>1,823,708</u>	<u>204,040</u>	<u>9,116,056</u>
Liabilities in respect of yield-dependent investment contracts (*)	<u>17,367,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,367,786</u>

(*) These liabilities were classified as repayable within up to one year, although actual repayment dates may be in later years.

5. Insurance risks

The Group is exposed to risks associated with insurance policy pricing and insurance liabilities assessment. The insurance policies sold by The Phoenix Insurance cover various risks such as life expectancy, morbidity, natural disasters and theft. Pricing of policies and assessment of insurance liabilities is based on past experience, assessment of the current legal situation and evaluation of the change in other risk factors. Insurance risk includes, inter alia:

Underwriting risks: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk when pricing and setting the premium, and the actual realization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or the incidence of claims as a result of various factors.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

Reserve risks: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover all liabilities and claims. The actuarial models according to which, among other things, the Company assesses its insurance liabilities, are based on the fact that the pattern of behavior and claims in the past represents that which is to happen in the future. The Company's exposure is composed of the following risks:

- 1) Model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities.
- 2) Parameter risk - the risk of using incorrect parameters, including the risk that the amount to be paid for the settlement of the Company's insurance liabilities or the date of settlement will be different than expected.

Catastrophe risk: Exposure to the risk that a single event of major impact (catastrophe) such as natural disaster, epidemic, war, terror, or earthquake will result in significant damage. The material catastrophe event to which the Company is exposed is an earthquake occurring in Israel.

As of December 31, 2022, total estimated loss in the property and casualty insurance business (other property subsegments) as a result of exposure to a single unusual substantial damage or an accumulation of damages in respect of a particularly large event in terms of the expected maximum possible loss (MPL) constitutes 2.0% of the exposure - approximately NIS 9,681 million (gross) and approximately NIS 64 million in retention as of December 31, 2022, which grew to NIS 100 million in retention as of January 1, 2023.

The Phoenix Insurance acquires a non-proportional reinsurance contract that protects against death and disability from a catastrophe event. The contract purchased is an excess loss-type contract that protects the accumulation of The Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. The coverage purchased in 2022 was NIS 450 million after deductibles of NIS 18 million, and the coverage purchased for 2023 stands at NIS 500 million after deductibles of NIS 20 million.

For further information regarding the various insurance subsegments in respect of which the insurer is exposed to insurance risk, please see the breakdown of the insurance liabilities by insurance risk in Note 3.

5.1. Insurance risk in life and health insurance contracts

5.1.1. General

The following is a description of the various insurance products, methods and assumptions used to calculate the liabilities in respect thereof according to the product type.

In general, according to the Commissioner's directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities

1) "Adif" and "Investment Tracks" type of insurance plans:

There is an identified savings component in "Adif" and "Investment Tracks" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:

- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

2) "Mixed" and similar ("Traditional") insurance plans:

"Mixed" insurance plans and the like combine a component of a savings amount in the event that the policyholder is alive at the end of the term of the plan with a life insurance component during the term of the plan. For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced and/or the assumptions derived from past claims, including interest rates (hereinafter - "calculative interest rate"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected revenue the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees.

For traditional yield-dependent products, the reserve is calculated in accordance with the actual yield minus management fees.

- 3) Liabilities for paid allowances are calculated in accordance with the expected life expectancy on the basis of the most recent mortality tables published by the Actuary of the Capital Market, Insurance and Savings Authority.
- 4) Liabilities for lifetime annuities in respect of policies that have not yet reached the stage of actual retirement benefit payment or have not reached retirement age are calculated in accordance with the probability of withdrawal of the retirement benefit and the expected life expectancy as well as the cancellation rates expected in the benefit portfolio until retirement date.

Provision for a supplementary retirement pension reserve is made gradually, for policies the saving component of which depends solely on yield ("yield-dependent policies"), in accordance with the Commissioner's directives, given the expected earnings from the policies until the policyholders' retirement date.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

4) (cont.)

The gradual provision is made by using the K value in which the K is limited to the expected future revenue from the management fees arising from the investments held against the insurance reserves or from premium payments less claims and expenses relating to said policies. The K is set to result in a proper gradual accumulation of the reserve until the expected retirement age.

K factor values used by the Company

	As of December 31 2022	As of December 31 2021
	%	
In respect of yield-dependent insurance policies	-	-
In respect of yield-dependent insurance policies	0.85	0.85

The supplementary retirement pension reserve included in The Phoenix Insurance's books totaled as of December 31, 2022 and 2021, NIS 1,870 million and NIS 2,340 million, respectively. The balance of reserves that will be carried to profit and loss by using the discounting factors K as mentioned above, on a gradual basis until the policyholders reach retirement age, amounted to NIS 1,762 million and NIS 1,539 million as of December 31, 2022 and 2021, respectively.

During 2022, changes were made to several estimates and assumptions used to calculate the reserves. For further details, please see Section 5.1.10.

- 5) Other life insurance plans include pure risk products (PHI, life, disability, etc.) that are sold as standalone policies or are attached to policies with a base plan such as "Adif", "Investment Tracks" or "Traditional" policy. For some of these plans, an actuarial liability is calculated. For some of these plans the "Net Premium Reserve" method was employed, which is described above, and for some of the calculation plans the "Gross Premium Reserve" method was employed, which includes in the expected revenue all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.
- 6) In health insurance plans, including critical illness, an actuarial liability is calculated using the gross premium reserve method, which includes in the expected revenue all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.
- 7) Liability in respect of ongoing claims, long-term care insurance and PHI is calculated in accordance with the expected payment period.
- 8) Liability in respect of contingent life and health insurance claims are calculated based on the Company's experience.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.1. Insurance risk in life and health insurance contracts (cont.)****5.1.2. The actuarial methods for calculating insurance liabilities (cont.)**

- 9) Liability for claims incurred but not reported (IBNR) in life and health insurance is calculated based on the Company's experience.
- 10) The insurance liability for group insurance consists of a reserve for paid claims, a reserve for contingent claims, a reserve for IBNR (claims incurred but not reported) and a reserve for future losses, as required.
- 11) In group life and health insurance, including dental and sick leave insurance, an actuarial liability is calculated on the basis of the specific collective experience.

5.1.3. The discount rate

1. For "Mixed" and the like ("Traditional") insurance plans (see 5.1.2 (2) above), the interest rate used for discount purposes is as follows:
 - In insurance plans which are backed mainly by designated bonds, calculative interest is set at rates ranging between 3% and 5% (linked);
 - For yield-dependent products issued in 1991 and thereafter, a calculative interest rate of 2.5% was set (linked). According to the policy terms and conditions, changes in interest rates will be credited to policyholders.
2. For liabilities in respect of payment of future paid pension annuities in insurance plans which are backed mainly by designated bonds (guaranteed return portfolio), and in liabilities in respect of some of the long-term care products, the Company uses risk-free interest plus illiquidity premium weighted by the nominal interest rates of the designated bonds where relevant, in accordance with the liabilities' average duration. In addition, a decrease in the long-term interest rate may cause an increase in the insurance reserves. For further details regarding the illiquidity premium, please see Section 5.1.10.
3. In insurance plans that are not backed by designated bonds, the calculative interest rate, or expected return, is used in relation to the mix of portfolio of assets backing these liabilities.

5.1.4. Mortality and morbidity rates

1. The mortality rates used to calculate insurance liabilities in respect of policyholders who die before reaching retirement age (i.e., excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are calculated based on the Company's experience. In the reporting year, a study was conducted regarding mortality rates among active policyholders holding a life insurance policy. The study reached the conclusion that the mortality tables used by the Company match the Company's past experience, and no changes are required to the existing assumptions.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.1. Insurance risk in life and health insurance contracts (cont.)****5.1.4. Mortality and morbidity rates (cont.)**

2. The liability for lifetime annuities is calculated in accordance with up-to-date mortality schedules published by the Capital Market, Insurance and Savings Authority. A fall in the mortality rate will increase insurance liabilities for lifetime annuities. It should be noted that in recent decades, life expectancy has increased and mortality rates have declined. The mortality assumption used to calculate the pension annuity also takes into account an expected future increase in life expectancy. During the reporting year, the Company updated its mortality rates as from the date of commencement of the annuity payment and the model with respect to future mortality improvements, following the publication - on June 30, 2022 - of Insurance Circular 2022-9-18 regarding "Amendment of the Consolidated Circular on Measurement of Liabilities - Update of the Life Insurance Demographic Assumptions and for Pension Funds". For further details, please see Section 5.1.10D below.
3. Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, PHI, long-term care, surgery and hospitalization, accident disability, etc. These rates are determined based on the Company's experience or studies by reinsurers. In addition, in the long-term care and PHI subsegments, an assumption is made as to duration of allowances payment based on Company's experience or studies of reinsurers.
The higher the discount rate assumption and the longer the duration of the annuity payment, the higher the insurance liability for critical illness, PHI, long-term care, surgery and hospitalization and disability due to accident.

5.1.5. Rate of annuity uptake

In respect of funds deposited through 2008, life insurance contracts, which include a savings component, were managed under two tracks: equity or annuity. In some of the contracts, the policyholder may select the track at the time of retirement. Since the insurance liability amount differs in each of these two tracks, the Company must determine the rate of policies in which the policyholders will select the annuity track. This rate was determined based on Company's experience. As from 2008, all plans are for annuities. During the reporting year, the Company updated the annuity and pension uptake rates, following the implementation of a study estimating the retirement age distribution and uptake rates across multiple age groups. For further details, please see Section 5.1.10D below.

5.1.6. Cancellation rates

The cancellation rate affects insurance liabilities. Cancellation of insurance contracts can also stem from the cancellation of policies initiated by the Company due to termination of premium payments or policy redemptions at the request of the policyholders. The cancellation rates assumptions are based on the Company's experience and on the product type, product life and sales trends. During 2022, the cancellation rates were updated, in accordance with a study. For further details, please see Section 5.1.10 below.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.7. Continuity rates

The Phoenix Insurance has group insurance where the policyholder is entitled to continue to be insured under the same terms and conditions under individual policies without undergoing again the medical underwriting process, even if the collective contract is not renewed. In respect of this option available to the policyholder, The Phoenix Insurance has a liability based on assumptions regarding the continuity rates of the collective insurance, and the continuity rates of the contracts with the policyholders after the termination of the collective contract. The greater the probability that the collective contract will not be renewed, the greater the insurance liability due to continued insurance under previous terms and conditions, without adjusting the underwriting to the change in the policyholder's health.

5.1.8. Liability adequacy testing (LAT)

A) Life insurance

The Phoenix Insurance tests the adequacy of the reserves in life insurance as detailed in Note 2J(1)(e). As of December 31, 2021 and December 31, 2022, the LAT results do not indicate a deficiency in existing reserves.

B) Health insurance (long-term care)

The Phoenix Insurance periodically tests the liability adequacy in health and LTC insurance as detailed in Note 2J(1)(b). The insurance liabilities in health insurance (LTC) in respect of the adequacy of the reserves (LAT) amounted to NIS 216 million and NIS 1,200 million, respectively, on December 31, 2022 and December 31, 2021, respectively. This test is calculated by discounting cash flows based on risk-free interest, plus the illiquidity premium calculated by an independent external consultant in accordance with the Supervision circular (for further details, see Section 5.1.10D). The change in the liability balance includes the effect of changes in the interest rate curves, data and model improvement and effects in respect of actuarial studies. For further details on the changes in the interest rate curve and actuarial assumptions, please see Section 5.1.10 below.

C) Offsetting excess value of illiquid assets against LAT reserves

Excess value is defined as the positive difference between assets' fair value and their carrying amounts.

Set forth below is a table describing the excess value of assets used to offset the LAT reserves by segment.

The Phoenix Insurance is not subject to any external or internal restrictions on asset allocation to implement the optimal allocation procedure as aforesaid.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.8. Liability adequacy testing (LAT) (cont.)

	As of December 31, 2022		As of December 31, 2021	
	Health (*)	Property and casualty insurance	Health (*)	Property and casualty insurance
	In NIS million			
Total fair value	169	209	312	31
Amount offset from the LAT reserves and best practice	169	209	312	31
Balance of excess value that has not yet been offset	-	-	-	-

(*) In the health segment, there is no other retained earnings other than those allocated to long-term care insurance.

The Phoenix Insurance has formulated an asset allocation procedure with excess value against the LAT reserves; set forth below are the key points of the procedure:

- A) The investment with the highest excess fair value shall be used to offset LAT reserves.
- B) All other investments shall be allocated pro rata in accordance with the reserve amounts.
- C) The excess value shall in no event exceed the LAT reserves.
- D) Assets for which the difference between the fair value and the carrying amount is negative shall not be offset against the LAT reserves.
- E) The balance of the reserve after deducting the UGL is not lower than the liability's best estimate.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.1. Insurance risk in life and health insurance contracts (cont.)****5.1.9. Life and health insurance sensitivity analyses (cont.)**

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of policyholders opting for annuity	
	10%+	10%-	10%+	10%-	10%+	10%-	5%+	5%-
	NIS thousand							
As of December 31, 2022								
Comprehensive income (loss)	<u>46,508</u>	<u>(53,220)</u>	<u>(347,665)</u>	<u>277,627</u>	<u>418,874</u>	<u>(467,342)</u>	<u>(83,748)</u>	<u>83,406</u>

	Rate of cancellations (redemptions, settlements, and reductions)		Morbidity rate		Mortality rate		Rate of policyholders opting for annuity	
	10%+	10%-	10%+	10%-	10%+	10%-	5%+	5%-
	NIS thousand							
As of December 31, 2021								
Comprehensive income (loss)	<u>60,909</u>	<u>(67,296)</u>	<u>(362,997)</u>	<u>330,357</u>	<u>484,061</u>	<u>(535,770)</u>	<u>(104,066)</u>	<u>104,066</u>

(*) For the purpose of calculating the sensitivity analyses, the assumptions used to calculate the liabilities were multiplied by the rates stated in the cancellation, morbidity and mortality scenarios. For the purpose of calculating a sensitivity analysis for the rate of pensioners opting for annuity, the Company added and deducted the rate of pensioners opting for annuity used to calculate the liabilities at a stated rate of 5%. The results of the sensitivity analyses are after tax.

5.1.10. Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts:

- A. The Phoenix Insurance tests the adequacy of its reserves, including the supplementary retirement pension reserve. The assumptions used for the above tests include assumptions for cancellations, operating expenses, mortality, pension uptake and morbidity rates and are determined by the actuary based on tests, past experience and other relevant studies. During the reporting year, some of the assumptions were updated, in accordance with the experience gained by The Phoenix Insurance. For details regarding the changes in assumptions, please see Section 5.1.10 (d) below.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.10. Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts (cont.):

B. **A change to the provisions relating to life insurance plans is incorporated into savings that include "annuity coefficients taking into account guaranteed life expectancy" (2022)**

In June 2022, the Commissioner published the Circular "Amendment of the Provisions of the Consolidated Circular regarding Measurement of Liabilities - Updating the Demographic Assumptions System in Life Insurance and Pension Funds" (hereinafter - the "Circular"). The Circular lists updated default assumptions on the basis of which insurance companies will calculate the liabilities in respect of life insurance policies, which allow them to receive an annuity according to guaranteed conversion rates based on up-to-date demographic assumptions. The Circular refers, among other things, to a change in life expectancy, including future improvements, and the resulting consequences for the level of reserves and how they are created. In addition, the circular includes a new life table for retirees of insurance companies, which is based, among other things, on past experience regarding mortality of retirees of insurance companies.

The Company has updated its estimates of pension liabilities based on the new life table and future life expectancy improvements included in the Circular. As a result, the Company increased the provision for the supplementary pension reserve, as of the application date, and reduced the comprehensive income by NIS 364 million (pre-tax) and NIS 240 million (post-tax).

C. **Completion of the study regarding annuity take up rate (TUR)**

Further to Section 5.1.5 above, life insurance contracts containing a saving component, offered two tracks for funds withdrawal: equity track (one-off withdrawal), or an annuity track (with a secured annuity conversion factor), which also offers various tracks that can be selected (such as: life-long, policyholder and spouse, annuity secured for 10 years, and more). In some of the contracts, the policyholder may select the manner of receiving the funds at the time of their withdrawal. Since the insurance liability amount differs in each of these two tracks, the Company must determine the rate of policyholders opting for annuity, and the track that will be selected. This rate was determined based on Company's experience.

During 2022, the Company completed a study on retirement age and pension uptake rates (hereinafter - the "Study", the Company completed a study on retirement age and pension take up rates (hereinafter - the "Study"), regarding retirees' tendency to take up an annuity at different rates in accordance with retirement age. Following the Study, in the second quarter of the year, the Company recorded a NIS 462 million pre-tax profit, and a total post-tax profit of NIS 305 million.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.1. Insurance risk in life and health insurance contracts (cont.)

5.1.10. Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts (cont.):

D. Following is the effect of the main changes described above on retention insurance liabilities in the life and health segments:

	For the year ended December 31		
	2022	2021	2020
	In NIS million		
Life insurance segment:			
Effect of updating assumptions regarding rates of annuity uptake (see Section C above)	(462)	(55)	-
Effect of updating other assumptions on the supplementary pension reserve and paid pensions	(12)	(12)	(12)
Effect of updating assumptions on the expense rates	(1)	(13)	(54)
Effect of updating assumptions on the mortality and morbidity rates (see Section B above)	364	-	-
Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions	(560)	46	25
Change in the supplementary retirement pension reserve following the application of the illiquidity premium circular(*)	-	(66)	-
Change in K value	-	-	(261)
Total increase (decrease) in liabilities on retention in the life insurance segment	(671)	(100)	(302)
Health insurance segment:			
<u>Effect of updating of assumptions on the cancellation rates:</u>			
LAT	(16)	159	(24)
Other	25	(21)	(43)
<u>Effect of updating assumptions on the expense rates:</u>			
LAT	(21)	(204)	(54)
Other	(63)	(23)	(12)
<u>Effect of updating assumptions on the mortality and morbidity rates:</u>			
LAT	-	293	-
Other	38	(42)	-
Change in LAT reserve following a change in the discount rate	(919)(**)	429	173
Change in the LAT reserve following application of the illiquidity premium circular (*)	-	(298)	(110)
Total increase (decrease) in liabilities on retention in health insurance segment	(956)	293	(70)
Total increase (decrease) in liabilities on retention before tax in life insurance and health segments	(1,627)	193	(372)
Total increase (decrease) in liabilities on retention after tax in life insurance and health segments	(1,071)	127	(245)

(*) For further details, see the financial Statements as of December 31, 2021.

(**) This effect includes the change in the excess of value of illiquid assets, and the effect of the classification of excess value illiquid assets. For further details, please see Section 5.2.2.5A.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts****5.2.1. Summary description of the main insurance subsegments in which The Phoenix Insurance operates**

The Phoenix Insurance underwrites insurance contracts in the property and casualty insurance segments, mainly in compulsory motor, liability, motor property and property subsegments.

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that often a long time elapses from the date of the incident until the claim's final settlement date.

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employers' liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long time elapses from the date of the incident to the final settlement date of the claim.

Motor damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. Coverage is usually limited to the value of the damaged vehicle. The motor property insurance rate and the policy as a whole require approval by the Insurance Commissioner and is a differential actuarial rate (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc. In addition, they are automatically integrated into the policy production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insurance event (short tail).

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of profit due to damage to the property.

The main risks covered by property policies are fire, explosion, burglary, pipes, earthquake and natural disasters. Property insurance often includes loss-of-profit damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (marine, land and air), etc. In most cases, claims for these policies are investigated as of the date of the insurance event. The Phoenix Insurance is also engaged in the issuance policies covering guarantees under the Sale Law.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.1. General**

- A. Liabilities in respect of property and casualty insurance contracts include the following main components:
- Provision for unearned premium.
 - Provision for the difference between the reserve for outstanding risks and the unearned premium.
 - Contingent claims including indirect expenses for their settlement.

The provision for unearned premiums and deferred acquisition costs is calculated in a way that does not depend on any assumptions and is therefore not exposed to reserve risk. As to how these provisions are calculated, please see Note 2 above on accounting policies.

- B. In accordance with the Commissioner's instructions, contingent claims are calculated by an actuary, using generally acceptable actuarial methods that are consistent with the previous year. The choice of the appropriate actuarial method for each insurance subsegment and for each event or underwriting year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the different methods are combined. The assessments are mainly based on past experience in the development of claim payments and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, and prevalence of claims. Additional assumptions may take into account changes in interest rates, exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.
- C. The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claims payments and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claims history is insufficient, the actuary sometimes uses a calculation that weights a known estimate (in the Company and/or industry) such as LR and the actual claims development. Greater weight can be estimated based on experience as time goes on and more information about the claims accumulates.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.1. General (cont.)**

- D. In addition, qualitative assessments and judgment are included regarding the extent to which past trends will not continue in the future. For example, due to a one-off event, internal changes such as a change in the portfolio mix, underwriting policies and claims handling procedures, as well as the effect of external factors such as court rulings, legislation, etc. When such changes were not fully reflected in past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.
- E. Actuarial valuation is based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions, which will not necessarily materialize, such that the actual cost of claims may be higher or lower than the statistical estimate.
- F. In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel.
- G. The share of reinsurers in the contingent claims is estimated taking into account the type of agreement (proportional or non-proportional) and the actual claims history.
- H. The assessment of the contingent claims for The Phoenix Insurance's share in the Pool, incoming business and joint insurance received from other insurance companies (leading insurers) was based on a calculation made by the Pool or by the leading insurers or the Company.
- I. Liability adequacy testing in respect of property and casualty insurance - the reserves are tested while applying the Commissioner's position regarding best practice for actuaries in calculating property and casualty insurance reserves for the purpose of inclusion in the financial statements such that they adequately reflect the insurance liabilities. The Commissioner's position includes, among others, the following:

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.1. General (cont.)****I. (cont.)**

- An “adequate reserve to cover the insurer's liabilities” means that it is fairly likely that the insurance liability set will be sufficient to cover the insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the estimate of “fairly likely” shall mean a probability at least 75%. However, to the extent that there are limitations to the statistical analysis, the actuary will exercise discretion and may use acceptable actuarial methods. The following are examples of possible treatment of such limitations:
 - For random risk - examining several actuarial methods and using discretion in determining the estimate in relation to the results of the different methods.
 - For systemic risk - identifying significant systemic (internal and external) effects, and using discretion in how to combine them.
- The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. In addition, this test must take into account the revaluation of the assets in the financial statements against the liabilities.
- Aggregation - for the purpose of calculating spreads for uncertainty in statistical subsegments (as defined in the circular), each subsegment must be treated separately, but the risks from all underwriting years (or damage) may be aggregated. In non-statistical subsegments, all subsegments may be treated as a single one. In addition, the lack of full correlation between different subsegments may be taken into account in order to reduce the overall spread.
- Determining the total insurance liabilities for policies sold close to the reporting date and risks subsequent to the reporting date.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.2. Details of actuarial methods in the major insurance subsegments****A. Motor property subsegment**

In the motor property subsegment, most liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder), taking into account the types of cover such as comprehensive or third party, types of vehicles - such as vehicles up to 3.5 tons and above 3.5 tons, and the types of damages such as accident, theft and natural disaster.

For the last months of damage in respect of which there are insufficient data, the average method is also used to determine the cost per claim in respect of the policy.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims stemming from car theft and natural disaster.

In specific assessments, the deductible amount that will be collected from the policyholder is taken into account.

Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses for settling claims.

B. Compulsory motor and liability subsegments

In the compulsory motor and liability subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio/chain ladder). For periods in respect of which there are insufficient data, the cost of claims based on the use of a priori LR rate is combined with the payment development model and/or the development of payments and contingent claims (Bornhuetter-Ferguson). Sometimes the cost per claim per policy. The "tail" development was calculated using the Sherman model.

The Claims Department's specific assessments are taken into account in cases of long tail contingent claims and large claims.

The contingent claims were estimated on a gross basis and separately at the reinsurance level. The assessment of the reinsurer's share in excess of loss contract claims for the last three underwriting years was calculated on the basis of a distribution adjustment model for the major claims, taking into account the known claims for these years. In previous underwriting years, the assessment is in accordance with the actual claims.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2. Insurance risk in property and casualty insurance contracts (cont.)

5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

B. Compulsory motor and liability subsegments (cont.)

Assessments for facultative reinsurance were made using a separate model from the other claims (gross and retention). Individual assessments include the portion of the deductible that will be collected from the policyholder.

Subrogations are taken into account; in addition, the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses in respect of settling claims.

C. Property and other subsegments

In property and other subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder). For periods in respect of which there is insufficient data, the averaging method is also used to determine the cost per claim.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims that derive from natural disaster. The assessment of contingent claims was made at a gross level, and the reinsurance for quota and surplus contracts is calculated in accordance with actual claims and in accordance with the terms and conditions of the contract.

Assessments for facultative reinsurance were made using a separate model from the other claims in subsegments in which the reinsurer's share constitutes a material proportion. The individual assessments include the deductible amount to be collected from the customer.

Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate reserve was calculated for indirect expenses for settling claims.

D. Subsegments in which no actual valuation has been performed

Within the framework of vessel and aircraft insurance, Sales Law guarantees, other risks and incoming business, the contingent claims were included based on specific assessment of each claim at the discretion of the lawyers and The Phoenix Insurance's experts who handle claims, and according to reporting by companies providing incoming business as well as IBNR, as far as required.

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.3. The main models for determining insurance liabilities in property and casualty insurance**Chain ladder / Link ratio

These methods are based on the development of historical claims (the development of payments and/or the development of total claims as well as the development of the number of claims), in order to assess the development that is expected of existing and future claims. The use of this method is best suited after a sufficient period has elapsed since an event has occurred or the policy underwritten, where sufficient information is available from past claims in order to estimate the total expected claims. The difference between the two methods stems from the way average development is calculated (simple or weighted average). In subsegments where claims are high, in addition to the average development coefficient, the standard deviation of the development coefficients is calculated.

BF (Bornhuetter-Ferguson)

This method combines an early (a priori) estimate commonly used in the Company or subsegment with an additional estimate based on the claims themselves. The preliminary estimate uses the premiums and the rate of damages to estimate total claims. The second estimate uses actual claim history, based on other methods (such as chain ladder). The combined claims assessment weighs both estimates, giving greater weight to an assessment based on past claims experience based on longer periods of time in which additional information about the claims accumulates. The use of this method is adequate when there is insufficient information.

The averages

Sometimes, such as in the case of the Bornhuetter-Ferguson method, where past claims in recent periods are insufficient, historical averaging is used. This method determines the expected claim amount based on average claims in early periods multiplied by the number of claims forecast (another way of calculating is by multiplying the historical cost of the claim by the number of policies in the relevant period).

The Sherman model

A mathematical model that addresses the adjustment of nonlinear distribution to the development coefficients calculated using the chain ladder or link ratio methods. Through the distribution, the development coefficients can be calculated for periods for which the Company has no information (the "tail of development").

NOTE 41 - RISK MANAGEMENT (cont.)**5. Insurance risks (cont.)****5.2. Insurance risk in property and casualty insurance contracts (cont.)****5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)****5.2.2.4. Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents**

In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute (hereinafter - the "NII") and the insurance companies regarding road accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated.

In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date is January 1, 2019.

In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1, 2014, and December 31, 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2. Insurance risk in property and casualty insurance contracts (cont.)

5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.4. Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents (cont.)

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

An agreement described above relating to the past is not expected to impact the Company's financial results. With regard to the future, the Company revised its tariffs accordingly in 2023.

5.2.2.5. Main assumptions used to calculate property and casualty insurance contracts:

A. Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT (2022)

A revision of the provision of the consolidated circular was published on February 9, 2023, which included a clarification regarding the allocation of assets not measured at fair value, when appraising insurance reserves in property and casualty insurance. The clarification discusses the question of whether one may take into account UGL (the excess value, i.e., the positive difference between the fair value of assets and their carrying amount) when calculating a property and casualty insurance reserve employing methods other than best practice.

In accordance with the clarification, the Company may take UGL into account even when it calculates the reserve employing methods other than best practice, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability.

As of December 31, 2022, the Company offset from the balance of the property and casualty insurance reserve excess value of illiquid assets amounting to NIS 209 million, compared with NIS 31 million as of December 31, 2021. This change arises mainly from the revision of the provisions of the consolidated circular as described above. The said excess value of assets as of December 31, 2022, includes NIS 176 million that were classified from the health insurance segment and from equity. The effect of the aforesaid classification is being offset against the operating results in the health insurance segment.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2. Insurance risk in property and casualty insurance contracts (cont.)

5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5. Main assumptions used to calculate property and casualty insurance contracts (cont.):

B. Reserves due to best practice

The Phoenix Insurance tests the adequacy of the property and casualty insurance liabilities in accordance with the best practice principles outlined above. As a result of this review, The Phoenix Insurance found that it was necessary to supplement reserves in accordance with the principles of best practice in the motor property, third party and employers' liability subsegments in the amount of approximately NIS 77 million before tax (approximately NIS 52 million after offsetting fair value from illiquid assets). As part of the best practice assessment, The Phoenix Insurance discounts future claims payments in these subsegments according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued.

C. The discount rate applied to National Insurance allowances

In October 2017, an amendment to the National Insurance (Discounting) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The current interest rate according to the regulations is 2% (instead of previous 3% rate).

The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured policyholders, and an appeal was filed with the Supreme Court in the matter (Civil Appeal 3751/17, Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide this issue. On August 8, 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "Judgment"). In addition, the Judgment states that until a legislative amendment has been made, the discount rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17, 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the restitutionary claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2. Insurance risk in property and casualty insurance contracts (cont.)

5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.5. Main assumptions used to calculate property and casualty insurance contracts (cont.):

C. Reserves due to best practice (cont.)

In connection with the assessment mechanism that will be activated every couple of years, it should be noted that as of the report date the interest was not revised.

The Phoenix Insurance examined a scenario of a 1% decrease in the discount rate applied to damages in the insurance liabilities portfolio, in the compulsory motor and liability subsegments as of the financial statements date, based on claim payments, and estimated it at approximately NIS 130 million in retention (pre-tax). It should be clarified that there is no certainty as to the behavior of the interest rate curve, as to estimates of the claims flows and as to the Accountant General's discretion and how the mechanism will be implemented.

The Phoenix Insurance continues to monitor developments in connection with the issue, and will update its reserves accordingly.

- D. Contingent claims in the compulsory motor insurance and liability insurance subsegments are discounted using the risk-free interest rate with a negative interest rate reset. In 2022, the change in the curve had a NIS 85 million effect on insurance liabilities in property and casualty insurance, compared with 2021 in which there was no effect on insurance liabilities in property and casualty insurance.

It is clarified that the discount rate in terms of reserve adequacy according to best practice is a risk-free interest rate adjusted to the illiquid nature of the liabilities.

- E. An increase in risk margin (standard deviation) was included in the reserve base in the compulsory motor and liability insurance subsegments.
- F. In analyzing the development of payments, the Company calculates a claim tail according to the Sherman model if needed.
- G. The basic premise in all calculation methods is that past claims behavior reflects their future behavior.

NOTE 41 - RISK MANAGEMENT (cont.)

5. Insurance risks (cont.)

5.2. Insurance risk in property and casualty insurance contracts (cont.)

5.2.2. Principles of calculating actuarial assessment in property and casualty insurance (cont.)

5.2.2.6. Sensitivity of provisions to changes in assumptions and risk-free interest

Actuarial assessment is subject to significant uncertainty. The actuarial estimates for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the calculated expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the yield may cause discrepancies between the estimates and the actual outcome.

Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' behavior will result in a change in the reserve. It should be noted that these risks were taken into account, to the extent possible, under the requirements of the Commissioner's position in the systemic risk estimates.

6. Credit risk information

6.1. Distribution of debt assets by location

	As of December 31, 2022		
	Liquid (*)	Illiquid	Total
	NIS thousand		
In Israel	3,979,020	15,527,498	19,506,518
Overseas	1,680,875	934,002	2,614,877
Total debt assets	5,659,895	16,461,500	22,121,395

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

	As of December 31, 2021		
	Liquid (*)	Illiquid	Total
	NIS thousand		
In Israel	6,115,145	13,303,213	19,418,358
Overseas	1,357,788	661,228	2,019,016
Total debt assets	7,472,933	13,964,441	21,437,374

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2. Breakdown of assets by rating

6.2.1. Debt assets

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
NIS thousand					
<u>Debt assets in Israel</u>					
<u>Liquid debt assets</u>					
Government bonds	1,753,475	-	-	-	1,753,475
Corporate bonds	1,453,952	515,139	17,176	239,278	2,225,545
Total liquid debt assets in Israel	3,207,427	515,139	17,176	239,278	3,979,020
<u>Illiquid debt assets</u>					
Government bonds and treasury deposits	8,562,862	-	-	-	8,562,862
Corporate bonds	262,445	159,531	15,488	14,931	452,395
Deposits with banks and financial institutions	1,114,675	-	-	-	1,114,675
Other debt assets by collateral:					
Mortgages (**)	-	-	-	460,565	460,565
Loans against policies	-	-	-	54,876	54,876
Loans secured by real estate properties	138,624	2,191,163	-	247,974	2,577,761
Loans secured by shares attributable to controlling shareholders	-	92,642	-	-	92,642
Other collateral	545,304	1,133,322	-	320,844	1,999,470
Unsecured	-	155,436	-	56,816	212,252
Total illiquid debt assets in Israel	10,623,910	3,732,094	15,488	1,156,006	15,527,498
Total debt assets in Israel	13,831,337	4,247,233	32,664	1,395,284	19,506,518
Of which - internally rated debt assets	301,468	2,587,848	15,488	-	2,904,804

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly mortgages to private individuals purchased from banks.

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets abroad</u>					
<u>Liquid debt assets</u>					
Government bonds	2,184	54,137	36,046	14,734	107,101
Corporate bonds	10,821	429,401	865,014	268,538	1,573,774
Total liquid debt assets abroad	13,005	483,538	901,060	283,272	1,680,875
<u>Illiquid debt assets</u>					
Loans secured by real estate properties	83,991	-	-	216,996	300,987
Loans secured by other collateral	229,335	-	-	403,680	633,015
Total illiquid debt assets abroad	313,326	-	-	620,676	934,002
Total debt assets abroad	326,331	483,538	901,060	903,948	2,614,877
Of which - internally rated debt assets	312,748	-	-	-	312,748

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2. Breakdown of assets by rating (cont.)

6.2.1. Debt assets (cont.)

	Local rating (*)				
	As of December 31, 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets in Israel</u>					
<u>Liquid debt assets</u>					
Government bonds	3,806,393	-	-	-	3,806,393
Corporate bonds	1,438,285	653,628	70,917	145,922	2,308,752
Total liquid debt assets in Israel	5,244,678	653,628	70,917	145,922	6,115,145
<u>Illiquid debt assets</u>					
Government bonds and treasury deposits	8,166,309	-	-	-	8,166,309
Corporate bonds	376,817	195,261	20,688	8,483	601,249
Deposits with banks and financial institutions	991,734	-	-	-	991,734
Other debt assets by collateral:					
Mortgages (**)	-	-	-	347,392	347,392
Loans against policies	-	-	-	81,797	81,797
Loans secured by real estate properties	105,666	523,475	-	889,302	1,518,443
Loans secured by shares attributable to controlling shareholders	647	92,578	-	-	93,225
Other collateral	512,539	500,104	-	365,968	1,378,611
Unsecured	20,850	84,601	-	19,002	124,453
Total illiquid debt assets in Israel	10,174,562	1,396,019	20,688	1,711,944	13,303,213
Total debt assets in Israel	15,419,240	2,049,647	91,605	1,857,866	19,418,358
Of which - internally rated debt assets	296,934	684,168	10,029	-	991,131

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Mostly mortgages to private individuals purchased from banks.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2. Breakdown of assets by rating (cont.)

6.2.1. Debt assets (cont.)

	International ratings (*)				
	As of December 31, 2021				
	A and above	BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Debt assets abroad</u>					
<u>Liquid debt assets</u>					
Government bonds	63,705	54,349	7,091	27,643	152,788
Corporate bonds	58,555	359,766	612,251	174,428	1,205,000
Total liquid debt assets abroad	122,260	414,115	619,342	202,071	1,357,788
<u>Illiquid debt assets</u>					
Loans secured by real estate properties	-	-	-	-	-
Loans secured by real estate properties	142,908	-	-	218,928	361,836
Loans secured by other collateral	-	-	-	299,392	299,392
Unsecured loans	-	-	-	-	-
Total illiquid debt assets abroad	142,908	-	-	518,320	661,228
Total debt assets abroad	265,168	414,115	619,342	720,391	2,019,016
Of which - internally rated debt assets	126,624	-	-	-	126,624

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

6.2.2. Credit risks in respect of other assets (in Israel)

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total (****)
	NIS thousand				
Loans granted to associates (**)	-	-	-	34,422	34,422
Receivables and debit balances, excluding balances for reinsurers	-	-	-	565,796	565,796
Deferred tax assets	-	-	-	72,649	72,649
Other financial investments	151,171	-	100,352	145,952	397,475
Cash and cash equivalents	3,439,766	-	-	-	3,439,766

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2. Breakdown of assets by rating (cont.)

6.2.2. Credit risks in respect of other assets (in Israel) (cont.)

	Local rating (*)				
	As of December 31, 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total (****)
	NIS thousand				
Loans granted to associates (**)	-	-	-	83,307	83,307
Receivables and debit balances, excluding balances for reinsurers	-	-	-	598,195	598,195
Deferred tax assets	-	-	-	67,650	67,650
Other financial investments (***)	269,203	-	65,511	106,020	440,734
Cash and cash equivalents	2,154,153	-	-	-	2,154,153

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Included in the investment in associates line item.

(***) Reclassified.

(****) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

6.2.3. Credit risks for off-balance-sheet instruments (in Israel) (***)

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Financial guarantees provided that are not accounted for as insurance contracts (**)	-	303,000	-	431,520	734,520
Unutilized credit facilities	-	1,428,274	-	1,352,683	2,780,957
Total credit exposure in respect of financial guarantees and unutilized credit facilities	-	1,731,274	-	1,784,203	3,515,477

	Local rating (*)				
	As of December 31, 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
Financial guarantees provided that are not accounted for as insurance contracts (**)	33,007	-	-	898,607	931,614
Unutilized credit facilities	80,748	342,470	-	1,512,080	1,935,298
Total credit exposure in respect of financial guarantees and unutilized credit facilities	113,755	342,470	-	2,410,687	2,866,912

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) Excludes Sales Law guarantees.

(***) For further information on off-balance sheet liabilities to affiliated companies, please see Note 43.

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.2. Breakdown of assets by rating (cont.)

6.2.4. Credit risks in respect of other assets (abroad)

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Other financial investments	18,287	-	111,296	795,233	924,816

	International ratings (*)				
	As of December 31, 2021				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Other financial investments	16,712	130,790	139,715	645,428	932,645

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

6.3. Additional information about credit risks

1) Internal rating model

The Phoenix has developed and implemented a corporate credit rating model based on quantitative and qualitative tiers:

Quantitative tier - a quantitative score based on the financial statements of the rated company and in accordance with the financial ratios.

Qualitative tier - is based on a subjective questionnaire containing questions regarding parameters such as the nature of the policyholder's competitive position in the industry, etc.

In addition, within the model, distinctions were made between different types of companies such as: income-generating properties, holding companies and ordinary companies. The model was approved in accordance with the Commissioner's directives.

- 2) Credit risk information in this note does not include the assets for yield-dependent contracts, which are presented in a separate note.
- 3) Regarding reinsurance assets of NIS 3,172,249 thousand, see Notes 17 and 18 and Section 6.6 below.
- 4) For collectible premium balances, see Note 12.

NOTE 41 - RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.4. Information required in connection with the temporary exemption from the application of IFRS 9 – Credit Risk Disclosure**

Further to Note 2 regarding the future application of IFRS 9, the table below shows the carrying amount of the financial assets that are subject to the principal and interest test only, excluding assets held for trading or managed on a fair value basis (hereinafter - "Class A"), by credit risk levels. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

Disclosure on credit risks:

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total
	NIS thousand				
<u>Disclosure on credit risks</u>					
<u>- in Israel</u>					
Cash and cash equivalents	3,439,766	-	-	-	3,439,766
Liquid debt assets	2,886,056	476,650	15,879	229,230	3,607,815
Illiquid debt assets	10,568,436	3,714,042	3,331	1,107,615	15,393,424

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
<u>Disclosure on credit risks</u>					
<u>- overseas</u>					
Liquid debt assets	12,766	304,812	607,725	20,021	945,324
Illiquid debt assets	313,326	-	-	439,394	752,720

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

	Local rating (*)				
	As of December 31, 2021				
	AA and above	A to BBB	Less than	Unrated	Total
			BBB		
			NIS thousand		
<u>Disclosure on credit risks</u>					
<u>- in Israel</u>					
Cash and cash equivalents	2,154,153	-	-	-	2,154,153
Liquid debt assets	5,009,941	566,709	69,619	132,890	5,779,159
Illiquid debt assets	10,046,831	1,386,019	2,994	1,689,818	13,125,662

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.4. Information required in connection with the temporary exemption from the application of IFRS 9 – Credit Risk Disclosure (cont.)

	International ratings (*)				
	As of December 31, 2021				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				

Disclosure on credit risks

- overseas

Liquid debt assets	122,260	247,251	414,938	64,821	849,270
Illiquid debt assets	126,624	-	-	343,092	469,716

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the column represents maximum credit risk.

	Carrying amount		Fair value	
	2022	2021	2022	2021
	NIS thousand			

Fair value of assets in Class A with high credit risk (*)

Liquid debt assets	872,855	682,268	872,855	682,268
Illiquid debt assets	1,550,340	2,035,904	1,500,873	2,098,684

(*) Assets with high credit risk are rated lower than BBB or unrated.

6.5. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

	As of December 31, 2022		
	On-balance-sheet credit risk		Off-balance-sheet credit risk
	NIS thousand	% of total	NIS thousand
<u>Economic sector</u>			
Manufacturing	997,294	4.50%	-
Construction & real estate	3,603,011	16.30%	2,477,291
Electricity and water	1,698,647	7.70%	349,307
Commerce	333,710	1.50%	-
Transportation and storage	59,507	0.30%	-
Communications and IT services	369,629	1.70%	-
Banks	2,354,137	10.60%	-
Financial services	879,937	4.00%	591,510
Holding company	285,164	1.30%	-
Other	1,116,921	5.00%	97,369
	11,697,957	52.90%	3,515,477
Government bonds and treasury deposits	10,423,438	47.10%	-
Total	22,121,395	100.00%	3,515,477

NOTE 41 - RISK MANAGEMENT (cont.)

6. Credit risk information (cont.)

6.5. Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets (cont.)

	As of December 31, 2021		
	On-balance-sheet credit risk		Off-balance-sheet credit risk NIS thousand
	NIS thousand	% of total	
<u>Economic sector</u>			
Manufacturing	714,380	3.30%	33,007
Construction & real estate	2,435,902	11.40%	1,643,122
Electricity and water	1,405,485	6.60%	385,841
Commerce	520	-	-
Transportation and storage	46,745	0.20%	-
Communications and IT services	328,269	1.50%	-
Banks	2,379,014	11.10%	-
Financial services	759,601	3.50%	700,710
Holding company	371,984	1.70%	-
Other	869,984	4.10%	104,232
	9,311,884	43.40%	2,866,912
Government bonds and treasury deposits	12,125,490	56.60%	-
Total	21,437,374	100.00%	2,866,912

6.6. Reinsurance

The Phoenix Insurance reinsures part of its business - all through foreign reinsurers. However, reinsurance does not release the direct insurers from their obligation to their policyholders under the insurance policies.

The Phoenix Insurance is exposed to risks arising from uncertainty about the ability of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market as well as the fulfillment of its financial commitments. The Phoenix Insurance is exposed to concentration of credit risk in respect of a single reinsurer due to the structure of the reinsurance market and the limited number of reinsurers with satisfactory rating.

In accordance with the Commissioner's directive, The Phoenix Insurance's Board of Directors determines, once a year, maximum exposure limits for reinsurers, which The Phoenix Insurance has contracted, based on their international rating. These exposures are managed by the Company by individually assessing each of the reinsurers. In addition, The Phoenix Insurance's exposures are diversified among various reinsurers; the main exposures are in respect of reinsurers who have high international ratings.

NOTE 41 - RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6. Reinsurance (cont.)****6.6.1. Information on exposure to credit risks of reinsurers****As of December 31, 2022 (in NIS thousands):**

Reinsurer	Reinsurance assets								Delinquent debt	
	Total premiums to reinsurers for 2022	Net receivable (payable) balances	Total in life insurance	In health insurance	In property insurance	In liability insurance	Deposits by reinsurers	Total exposure	Between six months and one year	Over one year
Rating group										
AA and above										
Swiss Re	247,860	(11,274)	93,238	225,041	37,583	79,467	214,446	209,609	-	-
Munich Re	238,501	(90,632)	140,101	41,769	23,122	133,522	192,171	55,711	-	-
General Reinsurance	82,148	15,785	33,401	90,612	17,079	210,665	132,340	235,202	-	-
Other	186,159	3,749	1,858	21,428	56,644	295,279	124,997	253,961	-	-
Total AA and above	<u>754,668</u>	<u>(82,372)</u>	<u>268,598</u>	<u>378,850</u>	<u>134,428</u>	<u>718,933</u>	<u>663,954</u>	<u>754,483</u>	<u>-</u>	<u>-</u>
A										
Lloyd's	83,211	11,430	-	-	26,988	145,856	-	184,274	-	-
Other	696,725	72,945	24,373	145,058	293,012	935,606	612,148	858,846	23	9
Total A	<u>779,936</u>	<u>84,375</u>	<u>24,373</u>	<u>145,058</u>	<u>320,000</u>	<u>1,081,462</u>	<u>612,148</u>	<u>1,043,120</u>	<u>23</u>	<u>9</u>
Total BBB	<u>31,496</u>	<u>9,052</u>	<u>4,381</u>	<u>34,247</u>	<u>19,117</u>	<u>41,136</u>	<u>81,458</u>	<u>26,475</u>	<u>-</u>	<u>-</u>
Less than BBB - or unrated	<u>327</u>	<u>(122)</u>	<u>1,280</u>	<u>-</u>	<u>208</u>	<u>178</u>	<u>-</u>	<u>1,544</u>	<u>24</u>	<u>-</u>
Total	<u>1,566,427</u>	<u>10,933</u>	<u>298,632</u>	<u>558,155</u>	<u>473,753</u>	<u>1,841,709</u>	<u>1,357,560</u>	<u>1,825,622</u>	<u>47</u>	<u>9</u>

NOTE 41 - RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6. Reinsurance (cont.)****6.6.1. Information on exposure to credit risks of reinsurers (cont.)****As of December 31, 2021 (in NIS thousands):**

Reinsurer	Total premiums to reinsurers for 2021	Net receivable (payable) balances	Reinsurance assets				Deposits by reinsurers	Total exposure	Delinquent debt	
			Total in life insurance	In health insurance	In property insurance	In liability insurance			Between six months and one year	Over one year
Rating group										
AA and above										
Swiss Re	206,749	(6,834)	96,651	186,017	38,110	66,415	190,904	189,455	-	-
General Reinsurance	157,240	3,695	34,511	79,379	16,537	251,285	139,797	245,610	-	-
Other	306,222	(24,115)	39,655	58,830	99,293	430,109	274,492	329,280	119	44
Total AA and above	<u>670,211</u>	<u>(27,254)</u>	<u>170,817</u>	<u>324,226</u>	<u>153,940</u>	<u>747,809</u>	<u>605,193</u>	<u>764,345</u>	<u>119</u>	<u>44</u>
Total A	<u>675,567</u>	<u>41,191</u>	<u>15,580</u>	<u>112,371</u>	<u>293,733</u>	<u>883,149</u>	<u>479,299</u>	<u>866,725</u>	<u>39</u>	<u>182</u>
Total BBB +	<u>32,221</u>	<u>8,622</u>	<u>3,637</u>	<u>25,964</u>	<u>21,626</u>	<u>50,583</u>	<u>74,990</u>	<u>35,442</u>	<u>3,454</u>	<u>128</u>
Less than BBB - or unrated	<u>89</u>	<u>(993)</u>	<u>1,294</u>	<u>-</u>	<u>1,559</u>	<u>258</u>	<u>-</u>	<u>2,118</u>	<u>17</u>	<u>-</u>
Total	<u>1,378,088</u>	<u>21,566</u>	<u>191,328</u>	<u>462,561</u>	<u>470,858</u>	<u>1,681,799</u>	<u>1,159,482</u>	<u>1,668,630</u>	<u>3,629</u>	<u>354</u>

NOTE 41 - RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.6. Reinsurance (cont.)****6.6.2. Comments:**

- (A) Total exposure to reinsurers is: net receivable (payable) balances, reinsurance assets, net of deposits and net of the amount of letters of credit received from the reinsurers as guarantee for their liabilities plus (less) the net receivable (payable) balances.
- (B) As of December 31, 2022 no provision was recorded for doubtful accounts. In December 31, 2021, a reserve for doubtful accounts in the amount of approximately NIS 0.8 million was made, in respect of the share of reinsurers in contingent claims.
- (C) The rating is mainly determined by the S&P rating agency; in cases where S&P does not issue a rating, it is determined by the lowest rating among other rating agencies and converted according to a formula set in the Investment Methods Regulations. Each rating includes all ranges, for example: A includes from A- to A+.
- (D) Total exposure of the reinsurers to an earthquake event with maximum potential loss (MPL) of 2.0% as of December 31, 2022 and December 31, 2021 is NIS 9,681 million and NIS 8,740 million, respectively, of which the share of the most significant reinsurer as of December 31, 2022 and December 31, 2021 is approximately NIS 812 million and approximately NIS 644 million, respectively.
- (E) There are no additional reinsurers in addition to those listed above the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums for 2022.

NOTE 41 - RISK MANAGEMENT (cont.)**6. Credit risk information (cont.)****6.7. Geographical risks**

As of December 31, 2022										
	Government bonds and treasury deposits (**)	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	10,316,337	2,718,291	1,679,507	107,905	19,879	1,147,899	11,862,813	27,852,631	1,492,371	29,345,002
USA	-	769,544	570,703	16,877	41,737	-	1,851,016	3,249,877	229,195	3,479,072
UK	-	167,909	52,774	-	2,099	-	1,253,838	1,476,620	-	1,476,620
Germany	-	97,926	36,190	152	-	-	1,042,519	1,176,787	10,699	1,187,486
Switzerland	-	30,526	-	-	-	-	717,448	747,974	-	747,974
Other	107,101	467,518	63,098	68,913	229,609	-	1,712,111	2,648,350	79,436	2,727,786
Total Assets	<u>10,423,438</u>	<u>4,251,714</u>	<u>2,402,272</u>	<u>193,847</u>	<u>293,324</u>	<u>1,147,899</u>	<u>18,439,745</u>	<u>37,152,239</u>	<u>1,811,701</u>	<u>38,963,940</u>

As of December 31, 2021										
	Government bonds and treasury deposits (**)	Corporate bonds	Shares	Mutual funds and ETFs	Mutual funds	Investment property	Other investments (*)	Total balance sheet exposure	Derivatives in delta terms	Total
	NIS thousand									
Israel	11,992,459	2,877,296	1,702,311	99,461	-	1,124,834	9,366,187	27,162,548	11,538	27,174,086
USA	-	610,117	735,657	272,849	35,633	-	1,733,555	3,387,811	(56,167)	3,331,644
UK	-	124,541	95,213	-	7,484	-	989,361	1,216,599	-	1,216,599
Germany	-	68,419	116,152	-	-	-	982,158	1,166,729	-	1,166,729
Switzerland	-	30,253	5,908	-	-	-	606,923	643,084	-	643,084
Other	133,031	404,375	106,656	8,427	452,826	-	1,241,064	2,346,379	66,884	2,413,263
Total Assets	<u>12,125,490</u>	<u>4,115,001</u>	<u>2,761,897</u>	<u>380,737</u>	<u>495,943</u>	<u>1,124,834</u>	<u>14,919,248</u>	<u>35,923,150</u>	<u>22,255</u>	<u>35,945,405</u>

(*) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

(**) Of which direct exposure to Russia totals approximately NIS 18 million as of December 31, 2022 (December 31, 2021 - NIS 57 million).

NOTE 41 - RISK MANAGEMENT (cont.)**7. Regulatory risk information**

The Group's activities are subject to extensive regulatory requirements, including supervision of the management fees collected. There is a continuing trend of tightening and boosting regulatory requirements, as well as increasing their enforcement. Failure to comply with regulatory requirements may result in various sanctions and damage to reputation. Changes in regulatory provisions affect the financial reporting, business operations and profitability of the Company.

Some of the Group companies operate in accordance with the permits and licenses granted to them by the Insurance Commissioner. Failure to comply with permits and licenses may result in sanctions and even in licenses and permits being revoked.

In addition, regulation in the insurance sector has a significant impact on the structure of the products sold and the prices charged in respect of the various products. The legal provisions, guidelines and agreements pertaining to the structure of the savings market in Israel, and especially regarding pension savings, including its tax implications, impacts changes in the scope of operations of the industry and the degree to which products can serve as alternatives to one another, including the option of transitioning from one product to another. As a result, these provisions affect both the life insurance portfolio and the long-term savings of the companies. The Group's insurance agencies are subject to regulatory provisions; changes in these provisions may affect their business operations and profitability.

In addition to regulation in the areas of insurance and long-term savings, the Group is subject to regulatory requirements under securities and companies laws, failure to comply with the provisions of which may result in various sanctions and damage to reputation.

The Phoenix Insurance is subject to capital adequacy requirements derived from Economic Solvency Regime. Low equity capital (although meeting the capital adequacy requirements) may impair the activity of the insurance company and its ability to insure new businesses. For further details, please see Note 8F above.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts

8.1. Breakdown of investments by linkage bases (*)

	As of December 31, 2022						Total
	In NIS - non- linked	In NIS - CPI- linked	In USD or USD-linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	
	NIS thousand						
Cash and cash equivalents	13,699,925	-	2,460,864	96,222	101,498	-	16,358,509
Liquid assets	7,749,520	8,089,450	3,915,861	1,206,967	292,803	27,661,307	48,915,908
Illiquid assets	3,656,128	3,102,032	1,227,842	793,749	503,313	21,498,107	30,781,171
Total Assets	<u>25,105,573</u>	<u>11,191,482</u>	<u>7,604,567</u>	<u>2,096,938</u>	<u>897,614</u>	<u>49,159,414</u>	<u>96,055,588</u>
Exposure to foreign currency through derivatives in delta terms	<u>18,471,116</u>	<u>307,742</u>	<u>(10,907,050)</u>	<u>(5,483,159)</u>	<u>(2,406,222)</u>	<u>17,573</u>	<u>-</u>

	As of December 31, 2021						Total
	In NIS - non- linked	In NIS - CPI- linked	In USD or USD-linked	In EUR or EUR- linked	In foreign currency or linked thereto	Non- financial and other items	
	NIS thousand						
Cash and cash equivalents	12,016,496	-	1,429,927	276,760	62,410	-	13,785,593
Liquid assets	7,128,077	9,868,613	3,967,250	1,150,658	325,474	33,204,751	55,644,823
Illiquid assets	<u>4,272,011</u>	<u>3,716,207</u>	<u>907,566</u>	<u>580,179</u>	<u>387,438</u>	<u>17,822,846</u>	<u>27,686,247</u>
Total Assets	<u>23,416,584</u>	<u>13,584,820</u>	<u>6,304,743</u>	<u>2,007,597</u>	<u>775,322</u>	<u>51,027,597</u>	<u>97,116,663</u>
Exposure to foreign currency in underlying assets through derivatives in delta terms (**)	<u>12,388,569</u>	<u>145,815</u>	<u>(8,571,100)</u>	<u>(2,905,032)</u>	<u>(1,152,196)</u>	<u>93,944</u>	<u>-</u>

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure.

(**) Reclassified.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts (cont.)

8.2. Credit risk for assets in Israel

	Local rating (*)				
	As of December 31, 2022				
	AA and above	A to BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Debt assets in Israel:					
Government bonds	7,001,197	-	-	-	7,001,197
Other debt assets - liquid	6,004,197	2,788,818	54,540	690,612	9,538,167
Other debt assets - illiquid	1,685,567	2,208,181	27,545	2,480,248	6,401,541
Total debt assets in Israel	14,690,961	4,996,999	82,085	3,170,860	22,940,905
Of which - internally rated debt assets	482,392	1,100,903	27,545	-	1,610,840

	Local rating (*)				
	As of December 31, 2021				
	AA and above	A to BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Debt assets in Israel:					
Government bonds	7,083,077	-	-	-	7,083,077
Other debt assets - liquid	6,626,346	3,070,788	186,522	610,044	10,493,700
Other debt assets - illiquid	2,037,043	2,427,477	33,972	2,263,033	6,761,525
Total debt assets in Israel	15,746,466	5,498,265	220,494	2,873,077	24,338,302
Of which - internally rated debt assets	513,203	970,883	17,947	-	1,502,033

(*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

NOTE 41 - RISK MANAGEMENT (cont.)

8. Information on financial investments for yield-dependent contracts (cont.)

8.3. Credit risk for assets abroad

	International ratings (*)				
	As of December 31, 2022				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Total debt assets abroad	833,320	1,479,453	2,495,229	1,810,436	6,618,438
Of which - internally rated assets	577,144	-	101,761	-	678,905

	International ratings (*)				
	As of December 31, 2021				
	A and above	BBB	Less than BBB	Unrated	Total (**)
	NIS thousand				
Total debt assets abroad	496,376	1,423,870	2,294,516	1,742,668	5,957,430
Of which - internally rated assets	225,723	4,530	102,499	-	332,752

(*) The sources for the ratings abroad are the rating agencies approved by the Commissioner: S&P, Moody's and Fitch. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk. Thus, the total column represents maximum credit risk.

9. For information on the composition of the assets and liabilities of the special-purpose companies, please see Note 26.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

A. The Company's main interested parties are as follows

Belenus and Leolin are the Group's controlling shareholders. Belenus and Leolin are private companies incorporated in Luxembourg, held indirectly by Mathew Lewis (Lee) Sachs, Botein and CCP III Cayman GP Ltd. In addition, the Harel Insurance Group has been an interested party in the Company.

B. Benefits for key management personnel (including directors)

In addition to their salaries, the Group's CEO and senior executives are entitled to non-cash benefits (such as cars, medical insurance, etc.). Furthermore, the Group makes contributions on behalf of those officers into a post-employment defined benefit plan and a defined contribution plan.

Senior executives also participate in the Company's share option plan (see Note 37, Share-Based Payment).

In accordance with the provisions of the law, the Company and The Phoenix Insurance have a compensation policy in place for officers and senior executives. The compensation policy is mainly based on multi-year results, return on equity achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In October 2020 the General Meeting of the Company's shareholders approved a new compensation policy for the Company's officers for 2021-2023. For further details about the Company's compensation policy (including amendments thereto), please see the Company's immediate reports of February 18, 2020, September 16, 2020 and November 30, 2022 (Ref. Nos.: 2020-01-014290, 2022-01-102009 and 2022-01-115548, respectively (hereinafter - the "Compensation Policy").

As to the liability for exemption, indemnification and insurance to directors, officers and other key officers - see Section 7 below.

1. **Benefits in respect of employment of key management personnel include:**

	For the year ended December 31					
	2022		2021		2020	
	<u>No. of people</u>	<u>Amount In NIS thousand</u>	<u>No. of people</u>	<u>Amount In NIS thousand</u>	<u>No. of people</u>	<u>Amount In NIS thousand</u>
Short-term benefits (*)	26	66,131	19	38,785	17	33,670
Post-employment benefits	20	3,123	19	2,517	16	1,669
Share-based payment (see Note 37)	21	<u>7,895</u>	19	<u>5,395</u>	10	<u>2,624</u>
		<u>77,149</u>		<u>46,697</u>		<u>37,963</u>

(*) For further details regarding restructuring, please see Note 8.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

2. Benefits in respect of employment of key management personnel who are directors not employed by the Company:

	For the year ended December 31					
	2022		2021		2020	
	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand	No. of people	Amount In NIS thousand
Fees of directors not employed by the Company	7	2,927	7	2,623	9	2,442

3. The Company participates (on its own behalf and on behalf of Group companies) in directors and officers' insurance

	For the year ended December 31		
	In NIS thousand		
	2022	2021	2020
Insurance for board members and officers	2,878	2,740	1,957

For information on revision of the insurance coverage of directors and officers, please see Section 7 below.

4. Employment agreement of the Chairman of the Board of Directors

Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of The Phoenix Insurance since November 2019, and as the Chairman of the Company's Board of Directors since April 2020. The Company and The Phoenix Insurance's Compensation Committees and Boards of Directors approved Mr. Gabbay's terms of employment in meetings held in December 2019 (hereinafter - "**Mr. Gabbay**" and/or "**Company Chairman**" and/or "**The Phoenix Insurance's Chairman**").

In respect of his service as Company Chairman, Mr. Gabbay is entitled to an annual compensation and to compensation for participating in meetings (which are not joint meetings of the Company and The Phoenix Insurance) in his capacity as an expert director (in accordance with his classification as such by the Compensation Committee), in accordance with the Fourth Addendum to the Companies Regulations (Rules Regarding Compensation and Expenses for External Director), 2000, in accordance with the Company's rank as it shall be determined from time to time.

As of the reporting year, Mr. Benjamin Gabbay's gross monthly salary for his service as The Phoenix Insurance's Chairman at an appointment percentage of 70% is NIS 150,659 (hereinafter - the "**Salary**"). The Salary is linked to the Consumer Price Index (hereinafter - the "**CPI**"), and the revision due to changes in the CPI is carried out once a year in the January salary, in accordance with the CPI published on January 15 of that year.

The Salary, as revised from time to time, will serve as the wages on which contributions for severance pay and pension are based.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND

RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

4. **Employment agreement of the Chairman of the Board of Directors (cont.)**

Related benefits: The Phoenix Insurance's Chairman is entitled to reimbursement of expenses he will incur in respect of fulfilling his role, including entertainment expenses and travel expenses (including travel abroad), all in accordance with the Company's Compensation Policy.

Furthermore, The Phoenix Insurance's Chairman is entitled to twenty-one (21) annual leave days per year; any unutilized annual leave shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employer-employee relationship. In addition, The Phoenix Insurance's Chairman is entitled to sick leave in accordance with the law and his employment on a part-time basis; he will have a right to accumulate up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment or after termination.

The Phoenix Insurance's Chairman is entitled to be included in the officers' insurance arrangement purchased by the Company, and to receive indemnification and exemption letters in accordance with the terms and conditions normally applied to senior Company officers.

Compensation - variable component: The Phoenix Insurance's Chairman is not entitled to a variable compensation component.

Advance notice and non-competition: The Phoenix Insurance and The Phoenix Insurance's Chairman have the right to terminate the employment agreement at any time and for any reason whatsoever by giving written advance notice in accordance with the law (hereinafter - the "**Advance Notice Period**"). Upon termination of the employment of The Phoenix Insurance's Chairman for any reason whatsoever, The Phoenix Insurance's Chairman shall be subject to a non-competition period of six (6) consecutive months starting at the end of the Advance Notice Period (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, The Phoenix Insurance's Chairman shall not serve in an active managerial position in the insurance sector, without obtaining The Phoenix Insurance's written consent in advance.

It should be noted that in accordance with the decisions of the Compensation Committee and Board of Directors of The Phoenix Insurance and the Company, which approved the compensation terms of Mr. Benjamin Gabbay, the expected expenditure, as defined in the Compensation of Officers in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016, in respect of his tenure as Chairman of the Board of the Company and The Phoenix Insurance in total, is not expected to exceed NIS 2.5 million (linked to the Consumer Price Index).

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND

RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement

Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019 (hereinafter - "**Mr. Ben Simon**" and/or the "**Company's CEO**"). The Company's Compensation Committee and Board of Directors approved Mr. Ben Simon's terms of employment in meetings held in June 2019. In August 2019, the General Meeting approved the employment terms and conditions of the Company's CEO, and in October 2020 the General Meeting (hereinafter - the "**General Meeting**") approved the revision of his terms of service and the compensation policy for 2021-2023 (hereinafter - the "**Compensation Policy**"), as described below:

As of the reporting year, the gross monthly salary paid to Mr. Ben Simon for his service as the Company's CEO is approximately NIS 130 thousand, calculated on an annual basis (hereinafter - the "**Total Salary**"). The Total Salary shall be updated in accordance with the increase in the Consumer Price Index (hereinafter - the "**CPI**") on a monthly basis, and the base index will be the known CPI as of the end of May 2019.

The Total Salary, as updated from time to time, will serve as the wage on which contributions for severance pay, pension and advanced education fund are based.

In accordance with the Compensation of Officers in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016 (hereinafter - the "**Law**"), the Company's Compensation Committee, Board of Directors and General Meeting approved - as part of their approval of the employment agreement - that Mr. Ben Simon's employment terms and conditions are in accordance with Section 2(a) to the Law, such that the projected expense in respect of the offered compensation is expected to exceed NIS 2.5 million per year, but shall not exceed the limit of 35 times the annual expense in respect of the year relevant to the adjustment, based on the cost of a full-time position, paid by the Company to its lowest paid employee, whether directly or indirectly (including an employee of a manpower contractor employed directly by the Company or contract worker employed to provide services at the Company's premises, as defined by law).

It should be clarified that the Company shall bear the tax cost arising from the "excessive expense" in respect of Mr. Ben Simon's cost of employment (i.e., the non-deductibility for tax purposes of the "excessive expense" for the Company, as defined in the Compensation of Officers in Financial Corporations Law).

Related benefits: the CEO is entitled to social benefits, related benefits and reimbursement of expenses, including in respect of meals, entertainment and subsistence as generally accepted in the Company, travel expenses (including travel abroad), car expenses, telephone, internet devices, and other communication expenses. The Company shall provide the CEO a company car (corresponding to Grade 7) for his personal use, and all expenses arising from the car's usage and maintenance shall be incurred by the Company and shall be paid by it, including grossing-up in full of the car's value and use.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND

RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. **CEO's employment agreement (cont.)**

Furthermore, the CEO is entitled to twenty four (24) annual leave days per year, with an option to accumulate up to two annual leave quotas; any unutilized annual leave in excess of the said two annual quotas shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employer-employee relationship. Furthermore, the CEO is entitled to recreation pay, calculated based on fifteen (15) recreation days per year; he will also be entitled to twenty-two (22) sick leave days, which may be accumulated throughout his service as CEO, up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment nor post-employment.

The CEO is entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

Compensation - variable component: The CEO may be entitled to an annual bonus in accordance with the Compensation Policy and at the discretion of the Compensation Committee and Board of Directors. The assessment of the CEO's entitlement to an annual bonus is conditional upon the Company's meeting the threshold targets as set in the Compensation Policy. For additional details, please see Section 1.3 to the meeting summons report dated September 21, 2020 (Ref. No. 2020-01-102009).

The cost of the variable annual component shall not exceed 100% of the cost of the fixed annual component. To the extent required, the annual bonus paid to the CEO shall be cut such that it does not exceed the compensation limit set in law, including in the Compensation of Officers in Financial Corporations Law, linked to the CPI (to the extent that this is permitted by law). After the amount of the variable compensation is set, including the annual bonus in respect of a certain year, it shall be paid in accordance with the deferral arrangements set in law and in the Compensation Policy. The annual bonus shall be subject to the recovery arrangements that were set in relation to variable compensation in the Company's Compensation Policy.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

5. CEO's employment agreement (cont.)

Advance notice and non-competition: The Company and Company's CEO have the right to terminate the employment agreement at any time and for any reason whatsoever by giving a six-month (6-month) written advance notice (hereinafter - the "**Advance Notice Period**"). Upon termination of the CEO's employment by the Company for any reason whatsoever, other than under circumstances of immediate termination, the Company may decide on the termination date and inform the CEO no later than 7 days after the Advance Notice Period has begun, that the CEO shall be subject to a non-competition period of six (6) consecutive months from the end of the Advance Notice Period and the period of actual utilization of the accumulated annual leave balances, during which the CEO shall not be required to carry out any work for the Company (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, the CEO shall receive from the Company his full salary and all payments, contributions, benefits and rights to which he is entitled under his employment agreement, provided that, during the Non-Competition Period, he will not serve as an employee, advisor, partner, contractor, distributor or shareholder in the insurance and finance sectors (including investment houses) (except holding less than 5% of the issued share capital or voting rights in a publicly-traded company). Payment in respect of the Non-Competition Period is conditional upon the CEO's complying with the non-competition terms as set in the agreement. For more information, see the Company's immediate report dated July 1, 2019 (Ref. No. 2019-01-056148).

6. Changes in the status of officers

- A. In November 2021, the Company's Board of Directors approved the appointment of Mr. Richard Kaplan as an external director of the Company. The appointment was approved by the Company's General Meeting in January 2022.
- B. In January 2022, the Capital Market, Insurance and Savings Authority approved Ms. Giorgia Rodigari's appointment as a director in The Phoenix Insurance.
- C. In March 2022, Ms. Orly Pascal started serving as the Head of Human Resources of The Phoenix Insurance.
- D. In March 2022, Ms. Orit Alster ceased serving as a director in The Phoenix Insurance.
- E. In July 2022, the reappointment of Dr. Rivi Cohen as independent director in The Phoenix Insurance was approved.
- F. In August 2022, Ms. Marilyn Hirsch ceased serving as a director in the Company and in The Phoenix Insurance.
- G. In August 2022, the Board of Directors of the Company and The Phoenix Insurance approved the appointment of Ms. Stella Cohen as a director in the Company and in The Phoenix Insurance, and in September 2022, the Capital Market, Insurance and Savings Authority approved its appointment as director in The Phoenix Insurance.
- H. In November 2022, the reappointment of Ms. Rita Rubinstein as independent director in The Phoenix Insurance was approved.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

6. Changes in the status of officers (cont.)

- I. In March 2023, the appointment of Ms. Rachel Levine as an ED in the Company was approved by the Company's general meeting.

7. Indemnification agreements and officers' insurance

Insurance, indemnification and exemption

In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "General Meeting"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.
2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.
3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.
4. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further information, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

B. Benefits for key management personnel (including directors) (cont.)

7. Indemnification agreements and officers' insurance (cont.)

5. In October 2022, the Company's Compensation Committee approved the engagement in an officers liability insurance policy covering the officers of the Company and its subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period starting on November 3, 2022, in accordance with Regulation 1B1 to the Companies Regulations (Relief in Transactions with Interested Parties), 2000. The limit of liability coverage is USD 150 million per case and total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said limit of liability for claims in Israel. For further details, please see the Company's report dated November 2, 2022 (Ref. No. 2022-01-106689).

C. Balances of related parties and interested parties

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the Company's procedures.

According to the Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter - the "**Securities Regulations**"). Some of the reporting requirements applicable to public companies in connection with transactions with a controlling shareholder or transactions with another person in which the controlling shareholder has vested interest (hereinafter - "**Controlling Shareholder Transactions**"), also apply to transactions which are not extraordinary transactions, as this term is defined in the Companies Law, except for transactions that were designated in the latest financial statements as negligible. In November 2008, the Company's Board of Directors decided to adopt a negligibility threshold as set out in the Securities Regulations in connection with Controlling Shareholder Transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

- It is not an extraordinary transaction (as the term is defined in the Companies Law).
- Its effect on the relevant parameter (as described below) amounts to less than one percent (1%).
- For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event, as described below:
 - A. Ratio of assets - the total transaction-related assets (acquired or sold assets) divided by total assets.
 - B. Ratio of liabilities - the total transaction-related liabilities divided by total liabilities.
 - C. Equity ratio - the increase or decrease in equity divided by the equity.
 - D. Premium ratio - the total transaction-related premiums divided by the average annual premiums in the relevant segment (life insurance and long-term savings, health insurance, property and casualty insurance) calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

- E. Ratio of revenues from various services - the total transaction-related revenues divided by the average annual non-premium revenues in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
 - F. Ratio of expenses in respect of various services - the total transaction-related expenses divided by the average annual general and administrative expenses, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
 - G. Profit ratio - the total transaction-related profit or losses attributed to the event divided by the average annual comprehensive income or loss for the period (including changes in capital reserves) in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
- Without prejudice to the need to assess for each event assessed for negligibility which of the above parameters are relevant, the following parameters shall be considered as relevant for the transactions listed below:
 - A. Asset purchase - assets ratio.
 - B. Asset sale - profit ratio, asset ratio.
 - C. Purchase or sale of insurance of reinsurance - premium ratio.
 - D. Receiving services (including leasing services, vehicle maintenance, Dalkan, etc.) - ratio of expenses in respect of various services.
 - E. Provision of services (excluding insurance services and including brokerage services in insurance, underwriting, financing transactions, various financial services) - ratio of revenues from various services.
 - The transaction is also negligible in qualitative terms.

As part of a qualitative assessment of an event, the following aspects will also be assessed:

1. The event involves significant risks or rewards. The Company will examine whether, and to what extent, the risks that the event involves reflect risk factors to which the Company is exposed.
2. The event may impact the Company's compliance with significant regulatory or contractual requirements.

When assessing the negligibility of a future event, the Company should assess, among other things, the probability that the event will indeed materialize, and the risks embodied therein; the Company should also ensure that these risks do not exceed the risks that it normally undertakes in the ordinary course of its business.

In December 2013, the Company's Audit Committee and Board of Directors approved, as part of the internal enforcement plan, a revision to the Company's procedure on transactions with interested parties in the Company. In this framework, the Audit Committee and Board of Directors decided that transactions approved as negligible for purposes of Regulation 41(a)(6)(a) of the Securities (Annual Financial Statements) Regulations, 2010 are also considered negligible transactions in relation to the Company for purposes of Section 117(2a) to the Companies Law, 1999.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

As part of this decision, the Audit Committee approved - pursuant to Section 117(1a) to the Companies Law - transactions listed in the appendices to the procedure, which are not extraordinary transactions, under ordinary commercial terms (such as: insurance, management of provident funds and/or pension funds), the execution of which was approved so long as they comply with all cumulative terms and conditions set out in the procedure.

As of December 31, 2022:

	Controlling shareholder (***)	Associates In NIS thousand	Interested party and other related parties
Financial investments in respect of yield-dependent contracts	41,781	298,729	870,026
Other financial investments:			
Debt assets	-	190,186	22,669
Shares	-	-	22,695
Other	10,042	-	43,194
Other receivables and debit balances	-	19,538	40,075
Premiums collectible	-	4,485	348
Payables and credit balances	-	-	44,446
Highest outstanding debt balance during the year			
Financial investments in respect of yield-dependent contracts	-	-	90,175
Debt assets	-	240,813	30,659

As at December 31, 2021:

	Controlling shareholder (***)	Associates In NIS thousand	Interested party and other related parties
Financial investments in respect of yield-dependent contracts	37,290	439,632	819,186
Other financial investments:			
Debt assets	-	260,831	24,999
Shares	-	-	-
Other	8,689	0	29,250
Other receivables and debit balances	-	10,095	19,588
Premiums collectible	-	185	262
Payables and credit balances	-	-	31,204 (****)
Highest outstanding debt balance during the year			
Financial investments in respect of yield-dependent contracts	-	35,685 (*)	107,157
Debt assets	-	273,587	36,700

(*) A balance of NIS 359,714 thousand was reclassified.

(**) For more information regarding related parties and interested parties balances, see Note 8 - Investments in Investees.

(***) Investments in funds in which the general partner is the controlling shareholder in the Company. The engagement was made prior to the acquisition of control in the Company.

(****) A NIS 13,985 thousand balance was reclassified.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

C. Balances of related parties and interested parties (cont.)

Guarantees and pledges provided:

- 1) The Phoenix Pension and Provident and The Phoenix Insurance provide a guarantee for planholders of "The Phoenix Merkazit LePitzuim", as per the rules and regulations of The Phoenix Merkazit LePitzuim, such that the amount repaid to them will in no case fall below the amounts they deposited with the fund. As of the financial statements date, the value of the funds deposited with the fund exceeded the amounts guaranteed by the Company and The Phoenix Insurance Company Ltd.
- 2) To secure the repayment of the principal, interest and linkage differences, which special purpose companies operating in the field of issuance of Excellence's structured instruments have undertaken to pay bondholders, and to secure full and accurate fulfillment of all of their other obligations under the terms of the bonds and deed of trust, the said companies placed a first ranking fixed charge on all their rights in illiquid bonds issued to them, and a first ranking floating charge on their rights in bank accounts, with which the consideration of the issuance and the proceeds received on the illiquid bonds were deposited.
- 3) On January 24, 2020, an amendment to the Assisted Living Law, 2012 came into effect. According to the amendment, an operator of a senior housing facility may only receive from tenants amounts on account of the deposit in excess of seven percent of the deposit or NIS 70,000 (the lower of the two) if the operator provided to the tenant one of the collateral listed in the law to secure the repayment of the balance of the deposit which the tenant is entitled to recover under the agreement. Accordingly, The Phoenix Insurance provided guarantees to tenants of Ad 120. As of December 31, 2022, the guarantees total NIS 620 million (as of December 31, 2021 - NIS 609 million).

Furthermore, in addition to the above The Phoenix Insurance provided a guarantee to Ad 120 in respect of bank credit totaling up to NIS 300 million, subject to the restrictions set out in the agreement.

- 4) The Anchor fund started operating in February 2018; the general partner of this fund is The Phoenix Capital Ltd., 65% of which is held by The Phoenix Investments. The Anchor fund invests in financial debt instruments outside Israel. As part of the agreement for the establishment of the fund, as of December 31, 2022, The Phoenix Insurance provided a guarantee in respect of a credit line - which the fund received from a banking corporation - of up to USD 40 million (as of December 31, 2021 - USD 40 million).
- 5) In June 2019, Phoenix Invest Varied Debt Strategies Limited Partnership (hereinafter - "Invest") - an investment fund open only to institutional entities - commenced operations; Invest's general partner is The Phoenix Capital Ltd. As part of the establishment of the fund, the Company's Audit Committee and Board of Directors approved the engagement with Invest in a liquidity and holding agreement in connection with the nostro funds for the activity of debt funds. The scope of the holding services agreement is up to NIS 200 million. The agreement is designed to enable Invest to purchase assets at times when it does not have sufficient liquidity, and money is called for by funds in which it has invested. Invest, on the other hand, has an undertaking to purchase the assets acquired using nostro funds immediately after it raises additional funding sources in accordance with the account settling mechanism set out in the agreement.

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)
C. Balances of related parties and interested parties (cont.)

Guarantees and pledges provided (cont.):

5) (cont.)

Furthermore, an agreement is in place to ensure liquidity at the total amount of up to NIS 300 million, which is designed for the event of redemptions from the partnership against the partnership's undertaking to repay the funds immediately after raising the funding sources, with the overall exposure to the liquidity and holding services being up to a total amount of NIS 300 million, all subject to the restrictions set out in the agreement.

- 6) In January 2020, The Phoenix Capital became a 50% partner in The Phoenix Financial Technologies Funds Ltd. - the managing partner of the Phoenix Real Estate Debt partnership. The Phoenix Financial Technologies Funds Ltd. invests in financial instruments outside Israel in the field of real estate. As of December 31, 2022, the amount of the guarantee in respect of a credit facility amounted to USD 60 million (as of December 31, 2021 - USD 40 million).

NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

D. Transactions with interested parties and related parties

For the year ended December 31, 2022:

	Controlling shareholder	Associates	Interested party and other related parties
	In NIS thousand		
Gross premiums	-	5,806	19,135
Income from management fees from pension and provident funds	-	-	670,387
Gains (losses) from debt assets and finance income	-	14,189	2,533
Payments in respect of insurance contracts	-	71	1,239
Expenses in respect of fees and commissions	-	15,367	-
General and administrative expenses	-	-	90,034

For the year ended December 31, 2021:

	Controlling shareholder	Associates	Interested party and other related parties
	In NIS thousand		
Gross premiums	-	3,333	10,485
Income from management fees from pension and provident funds	-	-	542,942
Gains (losses) from debt assets and finance income	-	7,368	4,691
Payments in respect of insurance contracts	-	362	3,464
Expenses in respect of fees and commissions	-	20,543	-
General and administrative expenses	-	-	51,590

For the year ended December 31, 2020:

	Controlling shareholder	Mayer Group	Associates	Interested party and other related parties
	In NIS thousand			
Gross premiums	-	35,492	2,642	1,037
Income from management fees from pension and provident funds	-	-	-	369,873
Gains (losses) from debt assets and finance income	-	-	13,714	1,173
Payments in respect of insurance contracts	-	13,005	829	33
Expenses in respect of fees and commissions	-	5,864	30,276	-
General and administrative expenses	76	20,833	-	37,472

NOTE 43 - CONTINGENT LIABILITIES

A. Contingent liabilities

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions

In recent years, there has been a significant increase in the number of petitions to approve class actions filed against the Group and in the number of lawsuits recognized as class actions. This is part of an overall increase in petitions to approve class actions in general, including against companies engaged in the group's areas of activity, which stems mainly from the enactment of the Class Actions Law, 2006 (hereinafter - the "Class Actions Law"). This trend substantially increases the Group's potential exposure to losses in the event of a ruling against the Group companies in class actions.

Petitions to approve class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for petitions to approve class actions is divided into two main stages: The first stage is the approval petition (hereinafter - the "approval petition" or the "approval stage", respectively). If the approval petition is rejected by the court, the hearing stage at the class action level ends. A ruling at the approval stage may be subject to a request for appeal to the appellate courts. In the second stage, if the approval petition is accepted, the class action will be heard (hereinafter - the "class action stage"). A judgment at the class action stage can be appealed to the appellate courts. Within the mechanism of the Class Actions Law, there are, inter alia, specific settlement agreements, both in the approval stage and in the class action stage, as well as arrangements with regard to the plaintiff's withdrawal of the approval petition or class action lawsuit.

In the State of Israel, filing class action lawsuits does not entail payment of a fee derived from the claim amount; therefore the amounts of such claims may be significantly higher than the actual exposure for that claim.

Petitions to approve lawsuits as class actions (including lawsuits approved as class actions and the approval of which is under appeal) are set out in Sections 1-10, 14-24, 26-31, 33-35, 37-44, 46, 48, 49, 51, 52 to the following table; for such lawsuits, which, in management's opinion - that is based, inter alia, on legal opinions whereby the group's defense claims are more likely than not to be accepted and the petitions to approve the lawsuit as class actions will be rejected - no provision was included in the financial statements, except for petitions to approve class actions in which the group is willing to reach a settlement. For petitions to approve lawsuits as class actions (including lawsuits approved as class actions and the approval of which is under appeal), in which the Group's defense claims - in whole or in part - are more likely than not to be rejected, and in which the Group is willing to reach a compromise, provisions were included in the financial statements to cover the exposure as assessed by the Group or a provision in the amount for which the Group is willing to settle, as the case may be.

Management's assessment, which is based, inter alia, on legal opinions received, is included in the financial statements under adequate provisions, where such provisions were required, to cover the exposure as assessed by the Group or the amount for which the Group is willing to settle, as the case may be.

Many of the petitions to approve lawsuits as class actions have been filed against the Group on various matters related to insurance contracts and the Group's ordinary course of business, for which the Group has allocated insurance reserves.

In petitions to approve lawsuits as class actions as set out in Sections 11-13, 25, 32, 36, 45, 47, 50, 53, 54 in the table below, at this preliminary stage, the chances of the petitions to approve lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the financial statements.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

Following a breakdown of the petitions to approve class actions:

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	January 2008 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 1.67 billion of all defendants, with about NIS 277 million attributed to The Phoenix Insurance.⁴	Unlawful collection of payments known as "sub-annuals" for life insurance policies, in an amount that exceeds the permitted one.	In May 2018, the Supreme Court granted the defendants' motion for leave to appeal and dismissed the plaintiffs' appeal, such that the District Court's judgment was quashed and the motion for approval of the claim as a class action was denied. In July 2019, the Supreme Court upheld the plaintiffs' request for a further hearing on the question set forth in the Judgment regarding the regulator's position filed with the court regarding its instructions, and on the question of de minimis defense in a monetary class action. On July 4, 2021, the Supreme Court handed down its judgment in respect of the further hearing by the Supreme Court (which was concluded at a 4 to 3 majority), whereby the Supreme Court's judgment will be canceled and the District Court's judgment will be reinstated, the approval petition will be allowed and the class action will be heard by the District Court, excluding the specific claims that were raised against The Phoenix Insurance (and another insurance company) regarding the collection of "sub-annuals" in an amount that exceeds the amount permitted by law - claims which were rejected by the court and therefore will not be discussed again by the District Court, and the legal proceedings in respect thereof has ended. The class action continues to be heard in the district court. A hearing is scheduled for May 7, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts were assessed by the plaintiffs in the class action statement of claim. It should be noted that the amounts in the motion to approve the claim as a class action were different and higher; those amounts also referred to the claim of collecting handling fees on policies and interest on annual premium, which is paid in installments, at a rate higher than the rate permitted by law, which, as stated, has been rejected.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
2.	February 2010 Central District Court The Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim) Approximately NIS 1.47 billion of all defendants (including the defendants in the corresponding case), of which approximately NIS 238 million is attributed to The Phoenix Insurance.⁴	The cause of the lawsuit, as approved by the District Court (in the corresponding case) was breach of insurance policies due to unlawful collection of the "policy factor" in a manner that reduced the saving amount accrued in favor of the policyholder for a period starting seven years before the claim was filed.	In November 2016, the District Court - in a parallel case filed against several other insurance companies - partially approved motions to approve the claims as class actions. The class action - both in the corresponding case and in the case heard against The Phoenix Insurance - continues to be heard jointly by the District Court. At the same time, the parties conduct a mediation process. On September 22, 2022, the Court discussed the parties' request in connection with the option of promoting a settlement agreement in the case; thereafter, on September 23, 2022, the Court handed down a resolution whereby the lower threshold for settlement purposes should stand at no less than 40%, and that the parties should inform the Court whether they reached agreements. Further to what is stated above, the parties are negotiating a settlement agreement, bearing in mind the court's statements as stated above.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts are the amounts assessed by the plaintiffs in the consolidated class action statement of claim filed in March 2019 against the defendant insurance companies sued in the corresponding case and against The Phoenix. It should be noted that the amounts in the motion for approval of the claim as a class action were different and higher.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
3.	May 2013 Tel Aviv District Court The Phoenix Insurance Approximately NIS 220 million or alternatively NIS 90 million. ⁴	Non-payment of interest in respect of insurance benefits from the date of the insurance event, or alternatively from the end of 30 days from the date on which the claim was filed and until actual payment date.	In February 2021, the District Court handed down a partial judgment, according to which it has approved the class action, in respect of any entitled party (policyholder, beneficiary or third party), who - during the period starting three years prior to the filing of the lawsuit and ending on judgment date - received insurance benefits from The Phoenix Insurance (not in accordance with a judgment rendered in his case) without being duly paid interest thereon. It was also established that, for the purpose of implementing the judgment, calculation and manner of restitution, an expert will be appointed and that the class plaintiffs will be awarded legal expenses and legal fees. In November 2022, the motion for leave to appeal filed by The Phoenix Insurance to the Supreme Court in connection with the partial judgment was rejected, noting that the appropriate instance to hear The Phoenix Insurance's claims is an appeal against the final judgment, should such an appeal be filed. The proceeding was returned to the District Court and continues to be heard there, and in accordance with what is stated above an expert was appointed on behalf of the courts, whose identity was agreed by the parties.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The amounts are those amounts that were estimated by the plaintiff in the class action lawsuit - NIS 220 million (if it was ruled that interest should be calculated from the date of occurrence of the insurance event) and NIS 90 million (if it is ruled that interest should be calculated starting 30 days from the delivery date of the claim). It should be noted that the amounts in the motion for approval of the class action lawsuit were different and higher and also related to the linkage claim, which was rejected.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
4.	July 2014 Central District Court The Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds. NIS 48 million from all defendants.	Acting in bad faith when using the right - under the pension fund's rules and regulations - to increase management fees paid by pensioners from the accrual to the maximum amount allowed, as from the date they become pensioners.	On March 18, 2022, the District Court approved the motion to approve the claim as a class action. As part of the approval process it was determined that the group on behalf of which the class action will be conducted will include any person who is a planholder in a new comprehensive pension fund, which is among the defendants, where such planholder is entitled to receive old-age pension; it was also determined that the questions for discussion are whether the defendants should have given planholders advance notice regarding the management fees that will be collected from them during the pension period, and if so - what is the damage caused as a result of not issuing such notice. The class action continues to be heard in the District Court, and a pre-trial hearing was scheduled for July 19, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
5.	June 2015 Beer Sheva District Court The Phoenix Insurance Approximately NIS 125 million.	The cause of action, as approved by the District Court, is a violation of the provisions of the policy regarding special compensation (reimbursement) for performing surgery in a private hospital funded by "additional insurance services" (SHABAN) and the questions common to the group members are: what is the value of the commitment form on behalf of a health maintenance organization in respect of a privately-owned hospital (Form 17), according to which the amount to be reimbursed to the policyholder is calculated; how The Phoenix Insurance in effect calculated the amount reimbursed to policyholders who underwent surgeries as part of SHABAN; and whether The Phoenix Insurance violated the provisions of the policy, and did not reimburse the full amount to the policyholders.	In December 2019, the District Court approved the motion to approve the claim as a class action lawsuit. The group on whose behalf the class action will be conducted will include all policyholders who were insured under a health insurance policy with The Phoenix Insurance, which included a reimbursement arrangement for performing surgery at a private hospital funded by SHABAN, based on a commitment form/Form 17, and in respect of whom an insurance event occurred from June 25, 2012 through June 25, 2015. In January 2023, the parties filed with the Court a settlement agreement approval motion at amounts which are immaterial for The Phoenix Insurance. The settlement agreement is subject to the Court's approval.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
6.	September 2015 Tel Aviv District Court The Phoenix Pension (currently - The Phoenix Pension and Provident Fund Ltd.) and management companies of additional pension funds. Approximately NIS 300 million per year since 2008 of all the defendants.	The claim is that the defendants pay agents fees and commissions calculated as a percentage of the management fees charged by them, thus allegedly violating their fiduciary duties, and that, as a result, the management fees that planholders are charged are higher than the appropriate rate.	In November 2022, the Court rejected the motion to approve the claim as a class action. In January 2023, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for November 9, 2023.
7.	December 2015 Tel Aviv District Court The Phoenix Insurance and another insurance company Approximately NIS 100 million from all defendants, of which NIS 50 million is attributed to The Phoenix Insurance.	Alleged unlawful collection of "sub-annuals" in life insurance at a rate that is higher than the permitted one.	In May 2020, the court issued a ruling rejecting the motion for approval of the claim as a class action, on the grounds that the plaintiffs do not have a cause of action. In September 2020, the plaintiff filed an appeal with the Supreme Court. The appeal continues to be heard in the Supreme Court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
8.	February 2016 Central District Court The Phoenix Insurance NIS 100 million.	The plaintiffs argue that The Phoenix Insurance does not link the payments it must pay policyholders under life insurance policies (which it issued until July 19, 1984) due to an insurance event or due to the redemption of the policy, to the correct basic CPI in accordance with the linkage terms and conditions set out in the policies; i.e., the latest CPI published before the first day of the month in which the insurance term begins; the plaintiffs argue that this has a significant effect on the benefits to which the policyholders will be entitled.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)**

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
The motions to approve the lawsuits as class actions that appear in Sections 9-13 below were submitted on the grounds of unlawful collection of investment management expenses which are not sanctioned by the policies or bylaws.			
9.	September 2016 Central District Court The Phoenix Insurance NIS 14.7 million.	Collecting investment management expenses in the individual saving policy Excellence Invest in addition to collecting management fees, without a provision in the policy expressly permitting to do so.	In May 2019, the District Court approved the motion to approve as a class action the claim filed against The Phoenix Insurance and three other insurance companies (hereinafter - the "Defendants"), for breaching the provisions of the insurance policy due to unlawful collection of investment management expenses. The class on whose behalf the class action lawsuit against The Phoenix Insurance will be conducted includes all policyholders of the individual savings policy Excellence Invest issued by The Phoenix Insurance at present and in the seven years prior to the date of submission of the motion for approval as class action. The remedies claimed are the reimbursement of the investment management expenses that were overcharged in addition to interest differentials; and an order directing the defendants to stop collecting such fees. In September 2019, The Phoenix Insurance (along with the other defendants) filed a motion for leave to appeal to the Supreme Court against the decision approving the class action lawsuit. At the request of the Supreme Court, on August 13, 2020, the Attorney General submitted his position on the proceedings and announced his attendance. According to the position, the Attorney General is of the opinion that the court should accept the motion for leave to appeal and the appeal itself and order the rejection of the motions for approval as class actions, for the reasons set out in the position. A hearing on the request for leave to appeal took place on February 11, 2021.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
9. (cont.)			In January 2022, the Attorney General submitted his position regarding the proceeding following a final report submitted by the advisory committee to the Capital Market, Insurance and Savings Authority, on the issue of direct expenses, as published in November 2021; the Attorney General noted that the request for leave to appeal and the appeal itself should be allowed, and in this respect, the motions for certification of the lawsuits as class actions must be rejected, and that there is nothing in the report that affects the decision made in the proceeding and it may even support his position. The other parties have also submitted their response to the position of the Attorney General and to the committee's report. The parties await the judgment. At this point, the hearing on the class action in the District Court was postponed. It should be noted that requests for approval of class actions regarding investment management expenses are also pending against Excellence Gemel (please see Section 10 in the table below), The Phoenix Insurance (see Section 11 in the table below) and Halman Aldubi Provident and Pension Funds Ltd. (see Sections 12 and 13 in the table below).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
10.	November 2016 Jerusalem Regional Labor Court Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) Approximately NIS 215 million.	The plaintiffs argue that under the rules and regulations of the Excellence Gemel provident fund, which were in effect until January 1, 2016, and according to the rules and regulations of the Excellence Advanced Education fund, Excellence Gemel may not collect investment management expenses from planholders, since collection of such expenses had to stipulated clearly and expressly in the rules and regulations of the funds.	The court approved the hearing arrangement filed by the parties, according to which the hearings to approve the claim as a class action will be postponed until a decision has been made in connection with the motion for leave to appeal against the May 2019 District Court decision to approve as class actions claims filed for similar causes of action against The Phoenix Insurance, among others (see Section 9 above in the table).
11.	June 2019 Tel Aviv Regional Labor Court The Phoenix Insurance Approximately NIS 351 million.	According to the plaintiff, The Phoenix Insurance charges policyholders of insurance policies which combine a life insurance component and a pension saving component (executive insurance) for investment management expenses without such charges being included in the terms and conditions of the policy.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. In October 2022, the Court stayed the proceedings until after a decision is made regarding the motion to appeal described in Section 9 above.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
12.	June 2019 Jerusalem Regional Labor Court Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) NIS 17.5 million.	The statement of claim alleges that IBI Provident and Study Fund Management Company Ltd. (which was merged with Halman Aldubi on July 1, 2018) charged the plaintiff and the other planholders of the advance education fund under its management, investment management expenses, in addition to the fund management fees, contrary to the fund's bylaws.	Halman Aldubi has not yet submitted its response to the petition for approval of the claim as a class action lawsuit; in September 2019, it submitted a motion for a stay of proceedings until a final decision has been made on ten petitions for approval of claims as class action lawsuits which are being heard in Labor Court (including against Excellence Nessuah (see Section 10 above in the table) regarding the collection of management expenses in provident funds and advanced education funds. In March 2022, the Court stayed the proceedings until after a decision is made regarding the motion to appeal described in Section 9 in the table above.
13.	July 2019 Jerusalem Regional Labor Court Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) No estimate was provided, but it was noted that the damage to all class members exceeds NIS 3 million.	According to the statement of claim, Halman Aldubi charged the plaintiff and the other planholders of the Halman Aldubi comprehensive pension fund (the "Fund") investment management expenses, in addition to the management fees charged by the Fund, contrary to the Fund's bylaws; the practice continued until May 2017, at which time the Fund's bylaws were changed so as to include the specific provision for charging direct investment management expenses.	Halman Aldubi has not yet submitted its response to the petition for approval of the claim as a class action lawsuit; in September 2019, it submitted a motion for a stay of proceedings until a final decision has been made on ten petitions for approval of claims as class action lawsuits which are being heard in Labor Court (including against Excellence Nessuah (see Section 10 above in the table) regarding the collection of management expenses in provident funds and advanced education funds. In March 2022, the Court stayed the proceedings as stated above.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
14.	January 2017 Central District Court The Phoenix Insurance and other insurance companies At least approximately NIS 12.25 million in respect of each of the defendants.	According to the plaintiffs, insurance companies overcharge insurance premiums since they do not disclose to policyholders a "practice" in the motor insurance subsegment that allows updating the age of the young driver insured under the policy and/or the years of driving experience when moving into another age bracket and/or years of driving experience bracket which can potentially result in a reduction of the insurance premium. It should be noted that the plaintiffs refer in their claim to a decision approving a motion for approval of a claim as a class action dealing with the same issue and filed against another insurance company, in which the said practice had allegedly been proven.	On March 20, 2022, the Court stayed the proceedings in this case until a judgment is handed down in the appeal that has been filed in a similar class action lawsuit against another insurance company that was rejected (to which the plaintiffs referred in the certification motion).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
15.	April 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District due to substantive jurisdiction) Shekel Insurance Agency (2008) Ltd. (hereinafter - "Shekel"), Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "Agam Leaderim"), second-tier companies of The Phoenix Holdings, and other insurance agencies. Approximately NIS 357 million of all defendants, of which NIS 47.81 million is attributed to Agam Leaderim and NIS 89.64 million to Shekel.	According to the plaintiffs, until the regulator intervened and legislative changes were made in connection with this issue, managers of pension arrangements in general and the defendants in particular, provided employers with operating services involving preparing and managing pension insurance for employees without the employers paying any consideration in respect thereof to the pension arrangement managers, and that all costs pertaining to the operating services are paid by the employees through management fees they pay for the products marketed to them by the managers of the pension arrangement.	In August 2020, the regional court issued a ruling rejecting the motion for approval of the claim as a class action. In September 2022, the National Court dismissed the plaintiffs' appeal. In December 2022, the plaintiffs filed a <u>petition</u> to the Supreme Court, in its capacity as the High Court of Justice, requesting the cancellation of the judgment that dismissed the appeal. A hearing date for the petition has not yet been scheduled.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
16.	June 2017 Central District Court The Phoenix Insurance The amount of the claim was not estimated.	The lawsuit is concerned with a claim that service level agreements are marketed and sold, either directly or through agents on behalf of The Phoenix Insurance, in violation of the provisions of the law regarding the marketing and sale procedure of such agreements.	In August 2021, the District Court issued a ruling approving the petition to approve the claim as a class action. The group on behalf of which the class action will be conducted is anyone who had purchased from The Phoenix Insurance, whether directly or through its agents, service level agreements as part of the comprehensive car insurance policy, with The Phoenix Insurance violating the law regarding the marketing and sale of service level agreements, in the period ranging from June 30, 2016 until the date of the ruling. The mediation proceeding between the parties failed and the class action is litigated before the court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
17.	June 2017 Central District Court (sitting as an Administrative Court). The National Insurance Institute (hereinafter - the "National Insurance Institute") The Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "Official Respondents") The amount of the claim was not estimated.	According to the plaintiffs, the National Insurance Institute collects national insurance contributions and health insurance contributions illegally from the tax-exempt income of class members as defined below, in addition to collecting the minimum rate of health insurance contributions from class members' disability annuity. According to the plaintiffs, the National Insurance Institute overcharges class members for these contributions through the pension fund, the employer or any other third party. The plaintiffs point out that the Official Respondents are entities through which the insurance premiums were collected from the plaintiffs, and clarify that any employer and any entity paying an early pension and any entity paying a PHI benefit in Israel may be in a similar position to that of the Official Respondents. According to the plaintiffs, it is impossible to add all the parties as respondents and the court is asked to consider the Official Respondents that were added and which are related to the plaintiffs' case as class action defendants. The plaintiffs also stated that no operative remedy is requested in the case of the Official Respondents in the framework of the above claim.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
18.	August 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) Excellence Gemel & Hishtalmut Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) The claim amount was not estimated but it was stated as more than NIS 2.5 million.	Increasing management fees in 2007 without sending prior notice as required by law.	On March 20, 2022, the court approved the motion to approve the claim as a class action. As part of the certification decision, it is decided that the group on behalf of which the class action will be conducted is as requested in the certification motion. In June 2022, Excellence Gemel filed a motion for leave to appeal against the decision approving the lawsuit as class action to the National Labor Court. The hearing of the class action by the Regional Court was delayed until a decision is made regarding the motion for leave to appeal. At the same time, the parties conduct a mediation process.
19.	January 2018 Central District Court The Phoenix Insurance and other insurance companies Approximately NIS 82.2 million per year from all the defendants, of which approximately NIS 22.3 million per year is attributed to The Phoenix Insurance.	According to the plaintiff, The Phoenix Insurance unlawfully refrains from paying its policyholders and third parties the VAT component applicable to the cost of damages when the damages have not been effectively repaired.	On January 4, 2022, the District Court issued a judgment rejecting the motion for approval of the claim as a class action lawsuit. In April 2022 the plaintiff filed an appeal to the Supreme Court. A hearing was scheduled for September 27, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
20.	May 2018 Haifa Regional Labor Court The Phoenix Pension and Provident Fund Ltd.⁴ NIS 200 million.	According to the plaintiffs, contrary to that which is stated in its rules and regulations, The Phoenix Pension has refrained from paying or from paying in full the partial contributions towards benefits to anyone who does not receive a full disability pension. In any case, The Phoenix Pension refrained from reporting to policyholders - either in pay slips or in annual statements - about the payments it made, to the extent that it did, indeed, make such payments.	In August 2021, the Regional Labor Court issued a resolution approving the motion for approval of the claim as a class lawsuit. As part of the above resolution, the Court approved causes of action in connection with the failure to pay contributions towards benefits in respect of planholders receiving a partial disability pension during the period from May 1, 2012 through May 1, 2019; the Court ordered a remedy whereby the rules and regulations should be abided by and the planholders' accumulated balance should be credited with current monthly contributions towards benefits based on a value date as of the original entitlement date, plus the yield accrued on the fund as from the said date. The Court also ruled that no separate pecuniary damages has been proven in addition to what is stated above, and that no monetary damages should be paid. The class action continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The petition for approval of the claim as a class action lawsuit was originally filed against The Phoenix Insurance. The plaintiffs filed an amended petition for approval of the claim as a class action lawsuit, in which they changed the identity of the defendant and also added to their previous allegations and to the definition of the class they seek to represent.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
21.	June 2018 Jerusalem District Court The Phoenix Insurance and another insurance company The amount of the claim was not estimated.	According to the plaintiff, the claim deals with the defendants' unjustified refusal to recognize a surgical procedure that had medical justification as an insurance event according to the health policies issued, by claiming that it is a "preventive surgical procedure".	In January 2022, the District Court issued a ruling approving the petition to approve the claim as a class action. As part of the certification decision it was determined that the group on whose behalf the class action will be conducted will include any person who engaged in an health insurance contract with the defendants, including insurance coverage for surgical procedures, whose claim to have such procedure done was rejected for the reason that it is a preventative procedure which is not covered by the policy (even if the reason was presented differently in the letter rejecting the claim), and the joint questions for the group members are: Did the defendants breach the insurance contracts when they rejected the claims for insurance coverage by stating that the surgical procedure is a "preventative" one, and what are the remedies to which group members are entitled due to that. On May 24, 2022 The Phoenix Insurance filed a motion for leave to appeal to the Supreme Court against the decision approving the class action lawsuit. At the same time, the class action continues to be heard in the District Court, and the parties agreed to engage in a mediation process concurrently with the hearing of the class action.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
22.	December 2018 Tel Aviv District Court The Phoenix Insurance, other insurance companies and banks NIS 280 million from all defendants.	According to the plaintiffs, the claim deals with unlawful overcharging of insurance premiums for unnecessary building insurance policies issued to building owners (who took out a mortgage loan and were required to insure the building with a building policy in favor of the lending bank), despite the fact that at the time of issuance of such policies, there was already an insurance policy covering that building, regardless of whether that policy was taken out with the same insurance company or with another insurance company.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
23.	March 2019 Central District Court The Phoenix Insurance Approximately NIS 2.6 million.	According to the plaintiff, the claim deals with The Phoenix Insurance's practice to delay the repayment of the relative portion of insurance premiums upon cancellation of compulsory motor and property insurance policies rather than paying it within the period set by law; the plaintiff also claims that The Phoenix Insurance repays the said amount without adding linked interest. The defendant also claims that The Phoenix Insurance refrains from repaying full linkage when refunding the relative portion of the insurance premiums.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
24.	May 2019 Tel Aviv District Court The Phoenix Insurance Approximately NIS 766.8 million.	According to the plaintiff, the claim deals with The Phoenix Insurance's not paying policyholders in participating life insurance policies which include an Rm formula their full share of the profits and full payments to which they are entitled under the insurance contracts; the plaintiff also claims that The Phoenix Insurance does not fulfill its reporting and disclosure obligations towards policyholders regarding their policies and rights.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for May 3, 2023. It should be noted that the plaintiff stated that a similar motion for approval of a claim as class action, which was filed against another insurance company, had recently been approved.
25.	July 2019 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 264.5 million from all the defendants, of which approximately NIS 67.5 million is attributed to The Phoenix Insurance.	The plaintiffs claim that the defendants do not pay their policyholders interest as required by law in respect of insurance benefits for the period starting 30 days after the date of delivery of the claim until the date of actual payment.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. It should be noted that according to the plaintiffs, this claim is based on the same cause of action as the class action described in Section 3 above in the table; however, it was nevertheless decided to file this claim for the sake of caution only, given the doubt as to whether the class of plaintiffs seeking the approval of this motion is included in the previous class action. In light of this, the proceedings in this claim were stayed until a judgment is rendered in the previous claim.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
26.	August 2019 Central District Court The Phoenix Insurance and other insurance companies The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more.	The plaintiffs claim that in case of vehicle theft or total loss as a result of an accident, the defendants refuse to reimburse policyholders for the proportionate share of the insurance premiums (the premium) paid for service contracts (road recovery services, windscreen repair, towing, etc.) in respect of the period subsequent to the theft or total loss, despite the fact that the service contract is canceled and the risk it covers no longer exists.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. In February 2020, the position of the Capital Market, Insurance and Savings Authority was submitted, which is not in line with the plaintiffs' position.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
27.	December 2019 Central District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiff, the defendants sell travel insurance without informing their customers - at the time of issuing the insurance policy - about the fact that the "search and rescue" component can be excluded if it is not required by the customers; the plaintiff also claims that the defendants do not inform customers about price changes they make in insurance policies' components; furthermore, the defendants do not inform customers in a clear manner about the right to reimbursement of a proportionate share of the insurance premiums in the event that the actual trip is shorter than planned, and in the event that the insurance period is shortened for any reason whatsoever (including due to cancellation of the insurance policy). The plaintiff also claims that even when the defendants reimburse insurance premiums to policyholders who shortened their travel period and at the same time also shortened the insurance period for any reason whatsoever, they do not reimburse the full insurance premium for the shortened insurance period, contrary to law and the insurance policy.	In October 2022, The Phoenix Insurance and the plaintiff filed with the Court a motion to approve a settlement agreement at amounts which are immaterial for The Phoenix Insurance. The settlement agreement is subject to the Court's approval.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
28.	January 2020 Central District Court The Phoenix Insurance, other insurance companies and a road recovery and towing services company. The claim amount was not estimated but it was stated that it significantly exceeds NIS 2.5 million.	The plaintiff claims that, in cases where vehicles' windscreens broke, the defendants had provided and still provide alternative windscreens, which do not meet Israeli standards and are not manufactured by the same maker as the car; by doing so, the defendants allegedly breach their obligations under the insurance policies and coverage contracts.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
29.	February 2020 Central District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it is in the millions of shekels or more.	The plaintiff claims that starting in early 2016 or thereabouts, The Phoenix Insurance ceased to fulfill its obligation in health insurance policies marketed prior to February 1, 2016, in which it undertook to provide insurance coverage, at no additional cost, to all children born to the principal policyholder (starting with the fourth child), until they reach the age of 21.	On January 4, 2023, a decision was issued, granting the motion to approve the claim as a class action. Under the approval decision, the class on whose behalf the class action will be administered is all The Phoenix Insurance policyholders who had joined the health insurance plan, as, with respect to that plan, The Phoenix Insurance pledged that from the fourth child they have, they will have insurance coverage for no extra charge, and The Phoenix Insurance did not provide such a coverage or it provided it for a fee; it was also found that the issue all class members have in common is whether The Phoenix Insurance is obligated to continue to allow the primary policyholders to buy policies for children from their fourth-oldest child and after for free even after January 31, 2016, or if it could have canceled this acquisition option for the primary policyholders' children, as it had, even though they had entered into the insurance contract with it before the termination. The class action continues to be heard in the District Court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
30.	February 2020 Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court) Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) NIS 335 million (alternatively NIS 58 million, and alternatively 36 million).	The claim is that Halman Aldubi allegedly violated its duty to the plaintiff and to all beneficiaries in the provident funds of Halman Aldubi, of deceased planholders, and any planholder of the Halman Aldubi provident funds with whom contact was lost, to locate and inform the said beneficiaries, as well as the planholders with whom contact was lost, that they are entitled to funds in the Halman Aldubi funds, on the dates set forth to that effect in the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, in the period beginning on January 1, 2013 until the date of the ruling in the lawsuit.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
31.	April 2020 Tel Aviv District Court The Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd. Approximately NIS 1.2 billion of all the defendants, of which NIS 145 million is attributed to The Phoenix Insurance or, alternatively, NIS 719 million of all the defendants, of which NIS 113 million is attributed to The Phoenix Insurance.	The subject matter of the lawsuit⁴ is that the defendants unjustly profited, allegedly, by failing to reduce car insurance premiums (for compulsory and/or comprehensive and/or third party policies) during the mobility restrictions imposed due to the Covid-19 pandemic. This was done, argued the plaintiffs, despite a decrease in mileage traveled and the level of risk to which the defendants are exposed.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for January 3, 2023. It should be noted that a petition to approve a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was rejected in August 2021, and another petition to approve a similar claim as a class action, which was filed against The Phoenix Insurance and other insurance companies was concluded by its withdrawal by the plaintiffs in February 2023 (see section 12 in the concluded claims table below).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

⁴ The petition to approve the claim as a class action includes two petitions to approve claims as class actions filed against The Phoenix Insurance and other defendants, which were merged into a single claim in February 2021 by the Tel Aviv District Court (see Note 42(a)(1) in Sections 42 and 44 of the class actions table in the Company's financial statements as of December 31, 2020, published on March 25, 2021 (Ref. No. 2021-01-044709).

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)**

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
32.	May 2020 Tel Aviv District Court Phoenix Excellence Pension and Provident Funds Ltd. (currently - The Phoenix Pension and Provident Fund Ltd.), Halman Aldubi Provident and Pension Funds Ltd. (which was merged into The Phoenix Pension and Provident Fund Ltd.) and additional management companies The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels.	According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable.	In accordance with the Court ruling, the government - the Israel Tax Authority, was added as a further defendant to the motion to approve the lawsuit as a class action. The petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for November 19, 2023.
33.	June 2020 Tel Aviv District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance At least NIS 10 million.	According to the plaintiff, the claim deals with non-payment of insurance benefits in respect of cancellation of a trip due to a pandemic (the Covid-19 pandemic) under travel insurance that the plaintiff purchased through PassportCard.	On September 11, 2022, the Court handed down a ruling approving the agreed motion for the plaintiff's withdrawing the motion to approve the lawsuit as a class action lawsuit in relation to The Phoenix Insurance's travel insurance policies. The motion for approval of the claim as a class action lawsuit against PassportCard in connection with its policies continues to be heard by the Court.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
34.	June 2020 Tel Aviv Regional Labor Court The Phoenix Insurance The amount of the claim was not estimated.	According to the claim, after a policyholder passes away, The Phoenix Insurance links the funds accrued in the policy to the consumer price index, instead of linking them to the investment track selected by the policyholder, as it previously did.	The parties are in a mediation procedure.
35.	June 2020 Central District Court The Phoenix Insurance and another insurance company Approximately NIS 10.5 million for each defendant.	According to the claim, the defendants overcharge customers in loan agreements they enter into with their customers; overcharging takes place due to a one-way linkage mechanism, which is in place under those agreements, whereby if the CPI increases above the base CPI, the defendants collect the linkage differences due to the increase; however, if the CPI decreases below the base index, the defendants do not credit their customers for the said decrease.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
36.	July 2020 Haifa Magistrate Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance NIS 1.84 million.	According to the claim, when travel insurance benefits are paid late, the defendants do not pay interest in respect of the delay; the plaintiff also claims that the defendants usually pay the insurance benefits according to the exchange rate on the day of the insurance event rather than the exchange rate on repayment date. In addition, it was argued that the disclosure duty regarding the deductible and the limitation of the insurer's liability with regard to the "winter sports" component is violated as part of a representation made prior to entering into the insurance contract.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. The proceedings in this lawsuit were stayed until a final decision is made in connection with the class action outlined in Section 3 above in the table. Lately, in February 2023, the court handed down a ruling whereby the proceeding will continue to be heard despite the fact that it was stayed.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
37.	July 2020 Central District Court The Phoenix Insurance and other insurance companies About 1.9 billion of all defendants, with the share of each of the defendants being in accordance with its market segment; according to the plaintiffs, The Phoenix's share is approximately 19%.	According to the claim, the defendants must charge reduced insurance premiums in cases of insurance policies with exclusions due to an existing medical condition compared to policies in which no such exclusion is present, since exclusions mitigate the defendants' insurance risk.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for June 26, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)**

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
38.	September 2020 Tel Aviv District Court The Phoenix Insurance NIS 92.7 million.	According to the claim, The Phoenix Insurance does not pay policyholders insured under a long-term care policies the full amount due to them under their policies, since it offsets these amounts against proceeds received from the National Insurance Institute; it is also claimed that The Phoenix Insurance does not indemnify policyholders for certain medical treatments.	On September 6, 2022, the District Court partially affirmed the motion to approve the action as a class action lawsuit. As part of the approval ruling, the Court dismissed the class action approval motion in connection with the claim that The Phoenix Insurance does not indemnify policyholders under their long-term care policies for certain medical treatments, and allowed the class action approval motion in connection with offsetting of funds the policyholders receive from the National Insurance Institute. The group in whose name the class action shall be conducted comprises all policyholders holding long-term care insurance policies of The Phoenix Insurance (or their successors for that purpose), who did not receive the compensation payable to them due to offsetting of National Insurance proceeds they received due to their long-term care needs; that the limitation period is 7 years; and that the joint question raised by members of the group is whether, under the terms of the policy, one may take into account the funds the policyholder receives from the National Insurance Institute and deduct them from the proceeds The Phoenix Insurance pays the policyholder. The class action continues to be heard in the District Court, and a pre-trial hearing was scheduled for May 21, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
39.	September 2020 Central District Court The Phoenix Insurance and another insurance company NIS 84 million from all the defendants, of which NIS 67.2 million is attributed to The Phoenix Insurance (a total of NIS 16.8 million in respect of critical illness insurance and a total of NIS 50.4 million in respect of permanent health insurance).	According to the claim, the defendants acted in violation of the provisions of critical illness insurance policies when they continued to charge policyholders the full amount of the monthly premium even after the first insurance event had occurred. It was also alleged against The Phoenix Insurance that contrary to its obligations, it charges its policyholders a monthly PHI insurance premium, even after the period of insurance coverage has ended.	On October 25, 2022, the parties filed with the Court a motion to approve a settlement agreement at amounts which are immaterial for The Phoenix Insurance. In view of the clarifications and supplementary information requested by the court in connection with the settlement agreement, the parties are considering the amendment of the settlement agreement.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
40.	December 2020 Central District Court The Phoenix Insurance The aggregate claim amount was not estimated but it was stated that it exceeds NIS 2.5 million.	According to the plaintiff, The Phoenix Insurance allegedly does not indemnify its policyholders in motor insurance policies relating to vehicles other than private and commercial cars weighing up to 3.5 tons (such as trucks, taxis, etc.), in respect of the damage caused to their vehicle due to the insurance event - which, the plaintiff claims, is in breach of the policy and the law. It is further claimed that The Phoenix Insurance does not provide its policyholders with an appraiser's report, which includes an estimate of the impairment to the vehicle's value due to the insurance event nor its manner of calculation.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
41.	March 2021 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 79 million from all defendants.	The subject matter of the claim, according to the plaintiffs, is that the defendants refuse to pay for the policyholders' expenses for the purchase of medical cannabis, contrary to the provisions of the policy to cover drugs excluded from the Healthcare Services Basket, and since medical cannabis is recognized for medical use in Western countries.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
42.	March 2021 Central District Court The Phoenix Insurance No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million.	The subject matter of the claim, according to the plaintiff, is that The Phoenix Insurance allegedly unlawfully rejects claims by its policyholders in "personal accident" policies to pay for hospitalization at a "non-general hospital", claiming that a "hospital", as defined in the policy, is a medical institution whose underlying meaning is a "general hospital only".	The parties are in a mediation procedure.
43.	April 2021 Central District Court The Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies The claim amount was not estimated but it was stated that it amounts to millions of shekels.	According to the plaintiffs, when using the defendants' digital services (while browsing their personal accounts), customers' private, personal and confidential information is transferred to third parties without the customers' consent, violating their privacy.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
44.	June 2021 Tel Aviv District Court The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and the Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter - the "Defendants"). NIS 137 million.	This lawsuit relies on the facts as presented in a petition to approve a derivative lawsuit that was filed against the Defendants and which deals with events that took place at the beginning of the 1990s (see Section C below in Chapter 3, Legal and Other Proceedings). According to the plaintiffs, the subject matter of the claim is an alleged misleading report and non-disclosure by the Company of material facts that caused damaged to buyers of the share. According to the plaintiffs, at the beginning of the 1990s the Company took steps, in which it managers were involved, to recruit customers and help them to benefit from guaranteed return insurance policies; such steps were allegedly carried out in breach of guidance.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for April 17, 2023.
45.	July 2021 Tel Aviv District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it exceeds NIS 2.5 million.	According to the plaintiffs, the subject matter of the claim is that the defendants deduct interest at the rate of 2.5% (or any other rate) from the monthly yield accrued for policyholders to whom a monthly benefit is paid under participating life insurance policies issued in 1991-2004; according to the plaintiffs, such a deduction is not established in the contractual terms of the relevant insurance policies.	The petition for approval of the claim as a class action lawsuit continues to be heard in court. A hearing is scheduled for April 19, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
46.	December 2021 Tel Aviv District Court The Phoenix Insurance The claim amount was not estimated, but it was stated that it was in the millions of shekels or more.	The plaintiff argues that in claims pertaining to damages caused to vehicles (of a policyholder or a third party), The Phoenix Insurance allegedly reduces the insurance benefits unlawfully due to failure to fix the vehicles or transfer the damaged parts to The Phoenix Insurance.	The parties agreed to conduct a mediation procedure.
47.	January 2022 Central District Court The Phoenix Insurance The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	The plaintiff claims that in 2019 The Phoenix Insurance renewed a group health insurance policy to members of the Secondary Schools and Colleges Teachers Union and their families, while making changes, reducing the scope of the insurance coverage and increasing the premium, allegedly without informing policyholders and obtaining their consent.	The mediation process between the parties was unsuccessful, and The Phoenix Insurance filed its response to the motion to approve the claim as a class action. A pre-trial hearing is scheduled for April 30, 2023.
48.	January 2022 Central District Court The Phoenix Insurance and another insurance company The claim amount was not estimated but it was stated that it exceeds NIS 3 million.	According to the plaintiffs, the defendants renewed a house insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent.	The parties are in a mediation procedure.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
49.	April 2022 Tel Aviv District Court The Phoenix Insurance The claim amount was not estimated but it was stated as being (much) more than NIS 2.5 million.	The lawsuit deals with the claim that The Phoenix Insurance has collected and is still collecting from policyholders an additional premium for the expansion of insurance coverage in respect of preventative surgical procedures, despite the fact that those procedures are allegedly covered by the basic tier of The Phoenix Insurance's health insurance policies. According to the lawsuit, the plaintiff's claim is based on a decision of the Jerusalem District Court, to approve a lawsuit against The Phoenix Insurance and another insurance company as a class action (see Section 21 in the table above).	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. In February 2023, The Phoenix Insurance filed an application to stay the proceeding until a decision is made regarding the class action against The Phoenix Insurance and other insurance companies (see Section 21 to the table). A decision has not yet been handed down in connection with the motion to stay.
50.	May 2022 Central District Court The Phoenix Pension and Provident (formerly - "The Phoenix Excellence Pension and Provident Funds Ltd.") and another management company The claim amount was not estimated but it was stated that it exceeds NIS 3 million.	The lawsuit deals with the claim that with regard to CPI-linked loans, the defendants adopted a practice of a one-way linkage mechanism, whereby when the CPI increases compared with the base index, the customer's monthly payment is increased accordingly, and when the CPI decreases, the monthly payment does not change; the plaintiffs claim that this practice was adopted despite the fact that this is not mentioned in the provisions of the agreement. The plaintiffs noted that three motions to approve lawsuits as class actions are pending, which they claim give rise to joint issues against three other companies, including The Phoenix Insurance (see Section 38 in the table above).	The Phoenix Pension and Provident has yet to submit its response to the petition to approve the class action lawsuit.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
51.	June 2022 Haifa Regional Labor Court The Phoenix Insurance NIS 5 million.	The subject matter of the lawsuit is the claim that The Phoenix Insurance breached its contractual obligation with regard to the insurance period in a permanent health insurance, as reflected in the insurance offer, in contrast to the policy's provisions regarding "age for insurance purposes"; the lawsuit also deals with the claim that as part of the engagement, The Phoenix Insurance did not provide fair disclosure regarding the insurance end date.	The petition for approval of the claim as a class action lawsuit continues to be heard in court.
52.	September 2022 Tel Aviv District Court Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.) NIS 26.5 million.	The lawsuit deals with a claim of overcharging 2 agorot above the conversion rate in respect of conversion of shekels into foreign currency, and without such overcharging being set in an agreement between the parties.	Excellence has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for September 7, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

1. Class actions - petitions to approve lawsuits as class actions and lawsuits approved as class actions (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
53.	October 2022 Tel Aviv District Court The Phoenix Insurance and other insurance companies The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	The lawsuit deals with alleged discrimination against male policyholders by the defendants, who have a health insurance policy, based solely on their sex. According to the plaintiffs, the defendants prevent men who pay an additional premium for the ambulatory insurance appendix from receiving reimbursement in connection with amounts they expensed in connection with their babies, claiming that only women are entitled to reimbursement of expenses in connection with babies.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for November 15, 2023.
54.	November 2022 Haifa District Court The Phoenix Insurance The claim amount was not estimated but it was stated as being more than NIS 2.5 million.	According to the plaintiff, The Phoenix Insurance rejected a claim filed by a policyholder with a "Long-Term Care Gift" long-term care policy, under which insurance benefits are payable upon the occurrence of a long-term care event, with the reason for rejecting the claim being that the policy is an "indemnity" policy rather than a "compensation" policy; the plaintiff also claimed that The Phoenix Insurance allegedly made the payment of the insurance benefits conditional on the presentation of receipts in respect of actual payments made.	The Phoenix Insurance has yet to submit its response to the petition to approve the class action lawsuit. A pre-trial hearing is scheduled for June 22, 2023.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims*

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
1.	September 2016 Tel Aviv District Court The Phoenix Insurance and other insurance companies NIS 4.45 billion from all defendants, of which NIS 943 million is attributed to The Phoenix Insurance.	Collection of premiums on health insurance policies, for unnecessary coverages that the policyholders do not need, and alleged sale of health insurance policies despite being aware that they include coverages that the policyholders have no need for, since they have supplementary health insurance from the health maintenance organization they are a member of. In addition, according to the defendants, they also tied services since customers were unable to purchase a reduced-coverage policy that will include only coverages that are not included in the supplementary health insurance of their health maintenance organizations, thus creating "overlapping insurance".	In October 2020, the District Court ruled that the motion for approval of the claim as a class action was denied. In November 2020, the plaintiffs filed an appeal to the Supreme Court. On March 28, 2022, the Supreme Court handed down a judgment dismissing the appeal filed by the plaintiffs against the District Court's judgment.
2.	February 2020 Tel Aviv Regional Labor Court The Phoenix Insurance No less than NIS 25 million.	The claim is that The Phoenix Insurance refuses to pay its life insurance policyholders the benefit they are entitled to in respect of the first month after the end of the insurance period (the first month of their retirement).	On April 19, 2022, the court issued a ruling confirming the plaintiff's withdrawal from the motion to approve the claim as a class action.
3.	May 2019 Nazareth Magistrate Court The Phoenix Insurance The amount of the claim was not estimated.	According to the plaintiff, this claim deals with The Phoenix Insurance's failure to pay in full insurance benefits under the insurance policy in respect of damage caused to a vehicle, on the grounds that the ownership class of the vehicle is "leasing - sale of a new vehicle with 0 km or formerly" even though the ownership of the vehicle is not and/or never was of such ownership class, and the permanent owner of the vehicle's license as "Owner 00" was the first purchaser, who is not the leasing company.	On May 16, 2022, the Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
4.	February 2020 Central District Court PassportCard Israel General Insurance Agency (2014) (hereinafter - "PassportCard") and The Phoenix Insurance NIS 6.125 million.	The claim is that the defendants violate the provisions of the travel insurance policy, since when an insurance event occurs to a policyholder and insurance benefits are claimed in respect of expenses of a person who traveled with the policyholder or accompanied him/her on their trip, the defendants deduct from the insurance benefits double the deductible - one for the policyholder and the other for another person covered by the insurance, i.e. the policyholder or person who traveled with the policyholder or the person who accompanied him/her. The plaintiff also claims that the defendants violate various provisions of insurance circulars regarding the claim filing form, the data included therein, receiving a copy thereof; the plaintiff further claims that the defendants refrain from informing policyholders who file claims of their right to obtain a copy of the decision made regarding their claim and/or appeal against the decision to various parties, nor do they inform policyholders of the period of time they have to do so.	On May 17, 2022, the Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
5.	February 2018 Tel Aviv District Court Excellence Nessuah Gemel Ltd. (currently: The Phoenix Pension and Provident Fund Ltd.) and additional companies. NIS 21 million from all defendants, of which NIS 6 million is attributed to Excellence Gemel.	According to the plaintiffs, the claim deals with the unlawful collection of handling fees /collection fees/operating fees/fees and commissions/early repayment fees or any other payment (whatever its name may be) collected by the defendants from planholders thereof to whom they extended loans.	On June 16, 2022, the court rendered a judgment which approves the settlement agreement between the parties; as part of the settlement, The Phoenix Pension and Provident will refund 45% of the handling fees that were collected, as defined in the settlement agreement, plus interest and linkage differences; The Phoenix Pension and Provident will also pay compensation to the class action plaintiff and legal fees to its attorneys, at amounts which are immaterial for The Phoenix Pension and Provident. It should be noted that similar motions for approval of claims as class actions filed against The Phoenix Pension (currently: The Phoenix Pension and Provident Fund Ltd.) and The Phoenix Insurance were concluded with a settlement agreement.
6.	August 2019 Central District Court The Phoenix Insurance and other insurance companies The claim amount was not estimated, but it was stated that it was NIS 1 million or more.	The claim is that in insurance policies covering mechanical engineering equipment the defendants determine the value of the equipment for the purpose of determining the premium according to the value of new equipment, disregarding the age of the equipment; however, in the event of total loss of equipment the defendants pay the policyholders insurance benefits in accordance with the equipment's actual value upon the occurrence of the insurance event, taking into consideration the age of the equipment.	On August 11, 2022, the Court granted the agreed motion for the plaintiffs to withdraw from the motion to approve the claim as a class action.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
7.	April 2010 Central District Court The Phoenix Insurance and other insurance companies NIS 225.2 million from all the defendants.	Non-refund of premium for the relative portion of the month in which the insurance ended (due to cancellation by the policyholder) and/or refund of premium (where the premium is refunded) at nominal values (without linkage differences and interest).	In June 2015, the district court partially affirmed the motion to approve the action as a class action lawsuit. On August 31, 2022, the Court handed down a ruling that approves the settlement agreement between the parties. Under the settlement agreement that was approved, and as part of which a review was conducted by a reviewer on behalf of the Court (hereinafter - the "Reviewer"), The Phoenix Insurance shall donate to a dedicated fund set up by virtue of the Class Actions Law, 2006 an amount equal to 80% of the overall refund amount in accordance with the Reviewer's report, will modify its future conduct as set out in the settlement agreement and in the judgment, and will pay a compensation to the class action plaintiff and legal fees to his attorneys. It should be noted that the amounts referred to in the ruling are immaterial to The Phoenix Insurance.

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****2. Concluded claims* (cont.)**

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
8.	February 2016 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) The Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds. Approximately NIS 1 billion of all the defendants.	The plaintiffs argue that the defendants are acting inappropriately by charging management fees in respect of disability and survivors benefits, and do not disclose that fact, and that the rate of management fees collected from such benefit recipients is the maximum permitted rate, taking advantage of the fact that benefit recipients cannot transfer their funds and/or entitlement to such benefits elsewhere.	On September 19, 2022, the court issued a ruling rejecting the motion for approval of the claim as a class action.
9.	November 2021 Tel Aviv District Court The Phoenix Insurance NIS 4 million.	According to the plaintiff, the lawsuit deals with The Phoenix Insurance' refusal to fund the cost of a consultation in an ambulatory health insurance, stating as the reason for refusal the exclusions section in the general terms of health insurance plans, whereas the plaintiff claims that these exclusions are not included in the terms of the ambulatory insurance, and that The Phoenix Insurance did not provide fair disclosure of this matter.	On September 22, 2022, the Magistrates' Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
10.	December 2021 Central District Court ESOP Management and Trust Services Ltd. The claim amount was not estimated, but it was stated that it may reach many tens of millions of shekels.	The plaintiff claims that as part of the tender offer regarding the shares of the Company in which he was employed and which he held by virtue of options awarded to him, ESOP allegedly breached various obligations as part of the operation of the sale of shares in the tender offer.	On December 13, 2022, the court handed down a judgment whereby the motion for approval of the claim as a class action lawsuit will be struck out (as well as the plaintiff's personal lawsuit).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****2. Concluded claims* (cont.)**

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
11.	February 2021 Central District Court The Phoenix Insurance No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million.	According to the plaintiff, the claim deals with the increasing of insurance premiums by more than 75% than the agreed premiums in life, long-term care, and PHI insurance policies taken out as part of a special deal for members of the Israel Bar Association (and potentially in other insurance policies) in 2016, without informing policyholders, obtaining their consent and providing them with any explanations.	On February 21, 2023, the Court granted the agreed motion for the plaintiff to withdraw from the motion to approve the claim as a class action.
12.	April 2020 Tel Aviv District Court The Phoenix Insurance and other insurance companies Approximately NIS 18.14 million from all the defendants, of which approximately NIS 2.2 million is attributed to The Phoenix Insurance.	The argument is that the defendants must reimburse premiums they overcharged policyholders in motor and home insurance, due to a decrease in the risk they are exposed to as a result of the restrictions imposed following the Covid-19 pandemic, which led to a decline in mileage traveled and a decline in bodily harm and damage to property.	On February 2021, the court ruled that the petition to approve the claim as a class action in relation to motor insurance was dismissed and will continue to be heard in relation to home insurance only. The plaintiffs' appeal was dismissed in May 2022. On February 27, 2023, the Tel Aviv District Court granted the agreed motion for the plaintiffs to withdraw from the motion to approve the claim as a class action. It should be noted that a petition to approve a similar claim as a class action in connection with motor insurance is pending against The Phoenix Insurance (see Section 31 to the table).

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

2. Concluded claims* (cont.)

No.	Date, ¹ court, ² defendants and claim amount ³	Main arguments	Details
13.	August 2021 Tel Aviv District Court Halman Aldubi I2P1, Limited Partnership (currently - The Phoenix Value P2P, Limited Partnership) (hereinafter - the "Partnership"). NIS 7.5 million.	The subject matter of the lawsuit is the claim that the Partnership's filings posted on the Israel Securities Authority and the TASE's websites (the MAGNA and the MAYA, respectively) are not accessible to people with disabilities; accordingly the plaintiff claims that the Partnership prevents or reduces disabled people's capability to obtain information from those reports.	On March 5, 2023, the court issued a judgment rejecting the motion for approval of the claim as a class action lawsuit. It should be noted that this judgment was handed down in relation to a series of motions for approval of claims as class action lawsuits, which were filed against tens of companies, including other insurance companies.

* For additional claims concluded between January 1, 2022 and March 29, 2022, please see Note 43A.2, Sections 11-16 of the table of concluded claims in the Company's financial statements as of December 31, 2021, published on March 29, 2022 (Ref. No. 2022-01-036997).

¹ The date on which the petition for approval of the claim as a class action was originally filed.

² The court with which the petition for approval of the claim as a class action lawsuit was originally filed.

³ The claim amount as assessed (if assessed) by the plaintiff(s) in the petition for approval of the claim as a class action lawsuit.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

3. Legal and other proceedings

Set forth below is a description of legal and other proceedings against the Group. For proceedings where, in the opinion of management - which is based, among other things, on the legal opinion it has received - it is more likely than not that the Group's defense claims will be allowed and the proceeding will be dismissed, no provision was included in the financial statements.

For proceedings where it is more likely than not that the Group's defense claims will be dismissed, in whole or in part, the financial statements include provisions to cover the exposure estimated by the Group. In management's opinion, which is based, among other things, on legal opinions it received, the financial statements include adequate provisions, where provisions were required, to cover the exposure estimated by the Group.

- A. On November 11, 2020, an insurance agency filed a lawsuit in the amount of approximately NIS 17.6 million against The Phoenix Insurance and nine other defendants, including an agency which consolidated in The Phoenix Group's financial statements, alleging misuse of the plaintiff's trade secrets and list of customers. It should be noted that the plaintiff had previously filed a motion for a temporary injunction in respect of the subject matter of the claim - and the motion was dismissed. The lawsuit continues to be heard in court.
- B. On January 29, 2017, Pilat Group Ltd. (hereinafter - "Pilat Group") and Pilat Holdings (1986) Ltd. (hereinafter, jointly, - "Pilat Group" and/or the "Plaintiffs") filed a lawsuit with the District Court, against Halman Aldubi Provident and Pension Funds Ltd. (by virtue of its merger with Hadas Arazim Provident Funds Ltd. on April 30, 2013), and against 17 other defendants, including Oracle Solutions Ltd. (hereinafter - "Oracle"). The main arguments of the claim was that some of the defendants joined Oracle in purchasing shares of the Pilat Group, constituting approximately 17.9% of the voting rights in Pilat Group (hereinafter - the "Oracle Group"), and that Hadas Provident joined forces with the Oracle Group to acquire control of Pilat Group, such that Oracle would hold 20% of the voting rights, and Hadas Provident - approximately 17%, while obtaining the approval of the Israel Securities Authority (ISA) that the Oracle Group and Hadas Provident not be considered "joint holders" under the Securities Law, 1968. At the same time, the plaintiffs claim, data and documents regarding collaboration between the parties were concealed from the ISA. In addition, allegations were made regarding a series of appointments and interested party transactions made in Pilat Group in violation of the law, which contributed significantly to the collapse of Pilat Group.

In the statement of claim, the Court is requested to order the defendants, jointly and severally, to compensate the plaintiffs for the damage caused to them, according to the claim, due to the impairment of Pilat Group's value, in the total amount of NIS 35.9 million. The lawsuit continues to be heard in court.

- C. On June 14, 2021, a derivative lawsuit and a motion to approve the filing of a derivative lawsuit to the Economic Department at the Tel Aviv-Jaffa District Court (hereinafter - the "Lawsuit") was filed against The Phoenix Holdings, The Phoenix Insurance, the Chairman of the Board of Directors of The Phoenix Holdings and The Phoenix Insurance, serving board members of The Phoenix Holdings and the Phoenix Insurance and a long-serving manager in The Phoenix Insurance (hereinafter jointly - the "Defendants").

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****3. Legal and other proceedings (cont.)****C. (cont.)**

According to the plaintiff, the subject matter of the claim is the alleged breach of duty towards the Company by the board members and officers, who allegedly allowed the Company to recruit customers and help them over more than three decades to benefit from guaranteed return insurance policies; such steps were allegedly carried out in breach of guidance prohibiting the marketing of such policies as from December 31, 1990.

The claim amount, as claimed and estimated by the plaintiff, is NIS 124 million, which - according to the plaintiff - is the total direct damage caused to the Company as a result of El Al employees added to the guaranteed-return policies enjoying better conversion coefficients.¹

In October 2021, the defendants filed a motion to dismiss the claim in limine. The defendants' response to the motion to approve the lawsuit as a derivative lawsuit was also submitted. Further to the discussion held in June 2022, the plaintiff announced, in November, that he would insist on moving on with the proceeding, and in light of this, the defendants announced that they insist on the motion for dismissal in limine. The court has not yet ruled in this dismissal in limine motion.

On February 6, 2023, the court dismissed the plaintiff's motion to order that the Attorney General's position must be received and she must appear in the proceeding (without demanding the defendants' response), in limine; the court also ordered the plaintiff to announce if he would insist on moving forward with the proceeding, advising the plaintiff to consider the possibility of striking it out. The plaintiff's notice has not yet been filed.

- D. In December 2021, The Phoenix Insurance received a letter from the Capital Market, Insurance and Savings Authority in connection with the restriction of insurance coverages in accordance with Regulation 45 to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. As part of the said letter, The Phoenix Insurance was requested to transfer information and check whether it acted in accordance with provisions of the law referred to in the letter, and should it failed to act in accordance with the said provisions, to repay the cost of insurance coverage allegedly collected not in accordance with the relevant provisions.

The letter states that it was sent, among other things, against the backdrop of a legal proceeding currently being conducted against another insurance company in connection with this issue. On April 28, 2022, The Phoenix Insurance responded in writing to this letter. The Authority's decision has yet to be issued.

¹ Since this is a derivative claim accompanied by a petition to approve the claim as a derivative claim, which, if approved, the Company will be entitled to funds thereunder, the total claimed amount does not appear in the following summary table.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****3. Legal and other proceedings (cont.)**

- E. On August 11, 2022, a shareholder filed a lawsuit with the Tel Aviv Jaffa District Court (Economic Department) against The Phoenix Holdings, The Phoenix Insurance, and The Phoenix Pension and Provident (hereinafter jointly - the "Defendants"), and against Mr. Eldad Lador Fresher (hereinafter - "Mr. Fresher"), for the issuance of a mandatory injunction that will cancel Mr. Fresher's appointment as Chairman of the Defendants' Investment Committee and/or a declaratory relief whereby Mr. Fresher will not be able to serve in the said office, due to his alleged conflict of interest in view of his service as the Chairman of the Boards of Directors of other companies. In November 2022, the defendants filed a motion to dismiss the lawsuit in limine as well as a statement of defense in the proceeding. The court has not yet ruled in this dismissal in limine motion. A pre-trial hearing that will also discuss the motion for dismissal in limine was scheduled for May 17, 2023.
- F. The group is a party to legal and other proceedings, which are not insurance claims, including, among other things, claims made by customers, former customers, agents and various third parties in immaterial amounts and for a total amount of approximately NIS 25.23 million. The causes of action against the Group in these proceedings are different.

4. Complaints

Complaints are filed against the Group from time to time, including complaints to the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") in relation to policyholders' rights under insurance policies and/or the law. These complaints are handled on an ongoing basis by the Group's Public Complaints Department. The Commissioner's decisions with regard to these complaints, to the extent that a decision has been made in respect thereof, are sometimes issued as sweeping decisions relating to a group of policyholders. Before issuing a final version of his decisions, the Commissioner usually issues a draft decision.

Furthermore, as part of the Commissioner's inquiries with the group, following complaints and/or audits on his behalf, demands are made from time to time to receive various data regarding the Group's handling of insurance policies in the past and/or a demand to reimburse funds to groups of policyholders and/or other guidelines. In addition, the Commissioner has the power, among other things, to impose monetary sanctions on the Group in accordance with the data that was and/or will be transferred thereto following inquiries as described above. In addition to the petitions to approve lawsuits filed against the Group as class actions, and the legal and other proceedings, there is a general exposure, which cannot be assessed and/or quantified, due to, among other things, the complexity of the services provided by the group to its policyholders.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**A. Contingent liabilities (cont.)****4. Complaints (cont.)**

The complexity of these services inevitably leads to interpretive claims and other claims due to information gaps between the Group and third parties to the insurance contracts in connection with a long list of commercial and regulatory terms. This exposure is reflected, among other things, in the areas of pension savings and long-term insurance, including health and long-term care insurance, in which the Group operates. Insurance policies in these areas of activity are assessed over many years in which policies, regulation and legislation change and new court rulings are issued. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and the application of the changes over many years lead to an increased operational exposure. In addition, allowing new interpretations for the provisions of insurance policies and long-term pension products sometimes affects the Group's future profits in respect of its existing portfolio, in addition to the exposure embodied in claims for compensation for customers in respect of past activity.

It is impossible to anticipate the types of claims that will be raised in this area or the exposure arising from these and other claims in connection with insurance contracts - claims which are raised through, among other things, the procedural mechanism set forth in the Class Actions Law.

In addition, some of the Group's products have long terms and are particularly complex in light of the various legislative arrangements both in the field of product management and in the field of taxation, attribution of contributions, investment management, the policyholder's employment status, his contributions and more.

The Wage Protection Law, 1958 imposes a liability on the Group's institutional entities, in accordance with the circumstances specified in the law, in respect of employers' debts to the institutional bodies, where such debts have not been repaid on time. The Group is in the process of improving the data on employers' debts and policyholders' rights, during the course of which lawsuits were filed against employers and the debts of other employers were rescheduled. Once this process is completed, the Group will complete the handling of employers' debts in accordance with the provisions of the law.

5. Summary table

The following table summarizes the amounts claimed in pending motions for approval of claims as class actions, claims approved as class actions and other material claims against the Group, as noted by the plaintiffs in the statements of claim filed on their behalf. It is hereby clarified that the amounts claimed do not necessarily reflect the amounts of exposure assessed by the Group, since these are assessments on behalf of the plaintiffs which will be resolved as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a compromise agreement was approved in respect thereof.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

A. Contingent liabilities (cont.)

5. Summary table (cont.)

Type	No. of claims	The amount claimed in NIS thousand
<u>Claims approved as a class actions:</u>		
A specific amount was attributed to the Company	7	1,167,443
The claim pertains to several companies and no specific amount was attributed to the Company.	1	48,000
The amount of the claim was not specified	4	-
<u>Pending petitions to approve lawsuits as class actions:</u>		
A specific amount was attributed to the Company	19	2,963,163
The claim pertains to several companies and no specific amount was attributed to the Company.	5	2,770,875
The amount of the claim was not specified	18	-
<u>Other material claims:</u>		
A specific amount was attributed to the Company	-	-
The claim pertains to several companies and no specific amount was attributed to the Company.	1	35,900
The amount of the claim was not specified	-	-
<u>Claims and other requirements</u>	20	25,229

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as specified above as of December 31, 2022 and December 31, 2021, amounted to approximately NIS 354,703 thousand (of which a total of approximately NIS 5,381 thousand is in respect of concluded class actions) and approximately NIS 263,312 thousand, respectively.

B. Guarantees and pledges provided

- 1) In 2002, the TASE's Board of Directors decided to establish a risk reserve for its clearing house to secure members' undertakings to the clearing house. The share of each TASE member in the fund shall be determined in accordance with its share in the volume of trade taking place on the TASE based on its general daily average clearing volume. Accordingly, Excellence deposited its share with the TASE risk reserve - amounting to approximately NIS 41 million as of December 31, 2022 (December 31, 2021 - NIS 35 million).

NOTE 43 - CONTINGENT LIABILITIES (cont.)

B. Guarantees and pledges provided (cont.)

- 2) As of the date on which Amendment No. 28 came into effect, fund managers who opt to do so will be allowed, in accordance with the provisions and conditions set out in the tracker funds regulations, to set variable management fees, which under certain circumstances will allow fund managers to cancel or reduce the difference between the fund's yield and the change in the price of the underlying asset during the calculation period, by increasing the management fees if the fund's yield exceeded the yield on the underlying asset (positive management fees), and by refunding management fees when the difference between the fund's yield and the yield on the underlying asset is negative (negative management fees), by a rate of 0.1%, 0.2% or 0.3%, as a function of the fund's exposure to the indexes listed on the tracker funds regulations. To secure the payment of the variable management fees, fund managers are required to provide a deposit, whose amount will be determined in accordance to a mechanism set in the tracker funds regulations; alternatively, fund managers can provide a bank guarantee. The deposit will be deposited with an account, which is free from any charge, foreclosure, lien or any other third-party right; the trustee shall have exclusive signatory rights in such an account. KSM Mutual Funds decided that some of the tracker funds under its management shall have variable management fees; therefore, KSM Funds provided a bank guarantee in favor of the trustees of the ETFs; the guarantee was issued by Bank Hapoalim Ltd. as collateral for payment of the variable management fees. The amount of the guarantee is calculated by multiplying the rate of variable management fees by total assets under management in the ETF in respect of which variable management fees were determined in accordance with the Joint Investment Trust Regulations (Tracker Funds), 2018. This, with the exception of a dedicated deposit at the total amount of NIS 0.6 million (in lieu of a bank guarantee as aforesaid) in favor of the trustee of U-Bank.
- 3) Excellence Investment Management and Securities Ltd. placed charges - unlimited in amount - on its securities account in favor of Mizrahi Tefahot Bank Ltd. and in favor of the TASE Clearing House. The charge in favor of Mizrahi Tefahot Bank Ltd. is designed to secure liabilities in respect of writing MAOF options of Excellence Investment Management and Securities Ltd. and its customers. The charge in favor of the TASE Clearing House is required under the directives of the TASE. As of December 31, 2022, the liability amount is NIS 24 million (December 31, 2021 - NIS 20 million). Furthermore, a guarantee was provided by Mizrahi Tefahot Bank Ltd. in respect of the bank's obligation to the TASE Clearing House for daily monetary clearing purposes. The maximum guarantee amount is NIS 50 million (December 31, 2021 - NIS 30 million), and it varies in accordance with the TASE Clearing House's directives regarding a minimum debit ceiling.

C. Commitments

- 1) As of December 31, 2022, The Phoenix Insurance has commitments to acquire investment property and property, plant and equipment at the total amount of approximately 1,600 million, of which approximately NIS 574 million are in respect of yield-dependent contracts; most of the amount is in respect of the 1000 Complex, see also Section 4 below; (as of December 31, 2021, the Company had such commitments at the total amount of approximately NIS 1,920 million, of which NIS 769 million were in respect of yield-dependent contracts).

NOTE 43 - CONTINGENT LIABILITIES (cont.)

C. Commitments (cont.)

- 2) The Group has commitments to pay rent and maintenance in respect of offices in future years (excluding VAT), as follows:

Year	December 31, 2022	Dec. 31, 2021
	NIS thousands (*)	
Up to one year	22,963	32,888
One to two years	23,758	26,781
Two to three years	22,229	16,455
Three years and up	10,066	14,701
	79,016	90,825

- (*) The rent is linked in part to the exchange rate of the US dollar and in part to the CPI. The above amounts do not reflect the effect of future changes in the CPI and/or the exchange rate of foreign currency on the amounts of commitments, and they are presented in nominal values.
- 3) The Phoenix Insurance has commitments for future investments in investment and venture capital funds totaling approximately NIS 11,505 million as of December 31, 2022, of which NIS 8,278 million is in respect of yield-dependent contracts. (As of December 31, 2021 - approximately NIS 7,976 million, of which NIS 5,797 million is in respect of yield-dependent contracts). Furthermore, The Phoenix Insurance has commitments to extend credit at the total amount of approximately NIS 4,319 million as of December 31, 2022, of which NIS 1,538 is in respect of yield-dependent contracts. (as of December 31, 2021 - approximately NIS 2,952 million, of which approximately NIS 1,000 million are in respect of yield-dependent contracts). Furthermore, the Group does not have commitments to purchase shares as of December 31, 2022, compared with December 31, 2021, when it had commitments of NIS 387 million, of which NIS 329 million is in respect of yield-dependent contracts.
- 4) On December 17, 2019, The Phoenix Insurance Company Ltd. won a tender that relates to an area measuring about 15 acres located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban planning scheme amount to a total of about 355 thousand square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self-use exists for an area measuring about 50 thousand square meters within 5 years. With respect to the remaining land, a joint bid submitted by The Phoenix Insurance Company Ltd. and Acro Landscape Limited Partnership (held by Arbov Investments Ltd.) won the tender (hereinafter - "Acro", "Arbov" and the "Joint Land", respectively). Acro - through its subsidiaries - is engaged in the development of real estate; The Phoenix Insurance Company Ltd. holds 17.46% in Arabov. On September 5, 2021 a transaction was signed with Ashtrom, for the sale of 26.07% of the Joint Land held with Acro (without the portion designed for own use). As of December 31, 2022, Acro's share in the Joint Land is 6.43%, and The Phoenix Insurance Company has an option to purchase Acro's share at a cost of NIS 1,600 per meter (linked to the July 2021 base index plus the refund of their share in the investments). On March 13, 2023, The Phoenix Insurance Company informed Acro of the intention to exercise the option. The consideration paid to the City of Rishon Lezion in respect of the purchased land was NIS 338 million. The estimated cost of construction work with respect of half of the building rights, which the Company undertook to construct within 8 years, is approximately NIS 2.25 billion, of which approximately NIS 825 million is attributed to the construction of the building designated for own use.

NOTE 43 - CONTINGENT LIABILITIES (cont.)

C. Commitments (cont.)

- 5) The Phoenix Pension and Provident Fund Ltd. has an agreement with Malam Provident Fund Operation Ltd., that was merged in 2021 with Malam Provident and Pension Ltd., whereby Malam renders The Phoenix Pension and Provident Fund Ltd. operating services for planholders' accounts with the provident fund and the personally managed advanced education fund under its management, in consideration for tiered monthly operating fees derived from the planholders' total assets. The agreement is for an unlimited period; it includes a termination mechanism whereby the parties may terminate it by giving advance notice in accordance with the terms of the agreement.
- 6) The Phoenix Pension and Provident Fund Ltd. and Mizrahi Tefahot Bank Ltd. entered into an agreement for the operating of planholders' accounts with provident funds under its management. In 2021, the term of the agreement was extended until the end of 2026; the agreement has in place a termination mechanism and an automatic extension mechanism.
- 7) As of the report date, The Phoenix Pension and Provident Fund Ltd. entered into distribution agreements with most Israeli banking corporations for the distribution of the provident and pension funds under its management.
- 8) As part of the activation of the insurance tracks in the supplementary Pension fund under the management of The Phoenix Pension and Provident, as of the reporting period, the Company has a reinsurance agreement with Swiss Re. As from 2023, the Company has a reinsurance agreement with The Phoenix Insurance Company Ltd., which replaced the reinsurance agreement with Swiss Re. The new agreement covers all claims whose insurance event date was on January 1, 2023 and thereafter. The agreement with Swiss Re will become a run off cover as soon as the agreement with The Phoenix Insurance Company Ltd. will come into effect. The said reinsurance agreement includes a mechanism whereby the pension fund bears 10% of the exposure amount, and the remaining balance (approximately 90%) is ceded to the reinsurer - The Phoenix Insurance Company Ltd. The reinsurance premium is based on the risk premium set under the provisions of the legislative arrangement. The Company and The Phoenix Investments and Finances (a related party) entered into an agreement for receipt of investment management services in respect of the provident funds and pension funds under the Company's management.
- 9) On December 14, 2021, The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd signed a new collective agreement with the New General Workers' Federation and the National Workers' Committee of Phoenix Workers, which extended the term of the collective agreement that was in place in the Company until that date, except for some changes that were made in the new collective agreement. The term of the agreement is three years starting on January 1, 2022 through December 31, 2024; the agreement applies to all The Phoenix Group employees in the said companies, except for managers at a rank defined in the agreement and employees working in specific positions who were excluded from the agreement. For additional details, please see the immediate report of the Company dated December 15, 2021 (Ref. No. 2021-01-109825). For further details, please see Section 4.6.3 to the Report on the Company's Business.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**C. Commitments (cont.)**

- 10) The Phoenix Investment House Ltd. has taken out professional liability insurance and fidelity insurance with The Phoenix Insurance; the insurance covers the employees of Excellence Investments and its subsidiaries for a 12-month period beginning in May 2021. Furthermore, Excellence has taken out crime insurance, which covers it directly, and is also insured - as of October 2018 - under the officers and directors liability insurance of The Phoenix Group.
- 11) Excellence Investment Management and Securities Ltd. has an agreement with FMR Computers and Software Ltd. ("FMR"), according to which the consolidated company receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. In June 2021 the Company signed an agreement to extend the term of the services agreement with FMR through June 2025; as part of the extension, information security and cyber services were added.
- 12) The Phoenix Insurance and Excellence Nessuah Services Ltd. have an agreement with Danel Financial Solutions Ltd., whereby the company has a license to use the Danel FC software for management of financial assets and for provision of software maintenance services. On May 11, 2021, the term of the existing agreement was extended by 5 years through December 31, 2025.
- 13) Gama Management and Clearing Ltd. has a clearing aggregator agreement with CAL, where under the Company will operate as a clearing aggregator. By virtue of the agreement, the company shall provide clearing aggregator services to merchants through CAL, which delivers to the company the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using the company's clearing aggregator services during that month.
- 14) In order to provide the vouchers factoring services outside its activity as a clearing aggregator, Gama Management and Clearing Ltd. has agreements with all leading entities providing clearing services in Israel: Isracard, Max and CAL; those agreements allow Gama to provide debit card vouchers factoring services to merchants that have in place clearing agreements with those companies, with the latter undertaking to pay Gama the clearing proceeds assigned to the Gama by the merchant.
- 15) On November 28, 2022, Gama Management and Clearing Ltd. signed a clearing aggregator agreement with Premium Express Ltd. (hereinafter - "Premium"), a subsidiary of Isracard Ltd., in connection with the American Express brand (hereinafter - the "Aggregator Agreement"). Alongside the aggregator agreement the Company has with Israel Credit Cards Ltd. of July 6, 2017, the said engagement with Premium allows the Company to render clearing aggregator services to all clearing brands available in Israel. The term of the Aggregator Agreement is 5 years from the date on which it was signed; the agreement may be terminated before the end of its term subject to conditions set out therein.

NOTE 43 - CONTINGENT LIABILITIES (cont.)**C. Commitments (cont.)**

16) Gama Management and Clearing Ltd. also has agreements with banks for the assignment by way of sale of credit card vouchers - in 2015-2016 the company entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Mizrahi Tefahot Bank Ltd. for assignment by way of sale of the company's rights to receive funds in respect of factoring of debit card vouchers that were assigned to the company by the merchants. As part of the agreements with the banks, it was agreed that the company shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain clearing services entity, in connection with management and factoring agreements signed between the company and the merchants, whereby the merchants assigned to the company their rights to receive funds from the clearing services entities in respect of debit card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, the company gave the clearing entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. The Company makes a representation to each bank regarding the nature of the vouchers, and insofar as the representations are found to be incorrect in respect of any of the vouchers, the Company will refund the voucher's proceeds to the bank that purchased it. Based on past experience, the Company believes that its exposure in respect of those representations is very negligible.

17) Several companies and investment funds engaged in the Group's alternative investments activity have in place an administration services agreement with Tzur Capital Management Ltd. for the provision of services in connection with the partnerships' operating activities, and for the purpose of managing the tax arrangement as the partnership's tax trustee. As part of the agreements, the administrator undertook to provide some of the investment funds trust services in connection with the execution of the tax arrangement, including, among other things, assisting the general partner to calculate operating results for tax purposes for each investor on the tax payment date of each tax year, and calculating the tax to be deducted in respect thereof; and, providing any other data in its possession, which is required to the investors in connection with their compliance with the reporting requirements to the tax authorities in respect of their investment in the partnership, upon request by the investors.

Furthermore, the administrator undertook to provide some of the investment funds trust services in connection with the partnership's accounts (the "Transition Account" and the "Activity Accounts"), which include, among other things, the joint signatory right in the partnership's accounts together with the general partner under certain circumstances, and the administrator's function as a trustee in those accounts in accordance with the partnership agreement. Furthermore, the administrator will provide the partnerships administration services, which include, among other things, management of the investors register, providing various reports to investors and revelation of the fund's assets, FACTA and prevention of money laundering.

18) As to agreements for investment in investees, and agreements of investees with others, please see Note 8.

NOTE 43 - CONTINGENT LIABILITIES (cont.)
D. Leases
A. Leases in which the Group is a lessee under an operating lease

The Group is a party to operating lease agreements in respect of vehicles. The average duration of the leases is 3 years, and the leases do not have an extension option. Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable operating lease contracts as of December 31:

	For the year ended December 31	
	2022	2021
	NIS thousand	
Up to one year	8,544	13,140
From one year to five years	6,829	10,274
	<u>15,373</u>	<u>23,414</u>

B. Leases in which the Company is the lessor:

The Phoenix Insurance Company leases several commercial buildings (investment property) to external entities. The lease agreements are for variable periods that cannot be canceled; the rent is linked to the CPI. Renewal of the lease contracts at the end of their term is subject to the consent of the Company and the lessees.

Set forth below is a breakdown of the minimum future lease fees receivable in respect of non-cancelable lease contracts (without options):

	For the year ended December 31	
	2022	2021
	NIS thousand	
Up to one year	115,401	121,534
From one year to five years	300,062	321,701
Over five years	326,684	312,069
	<u>742,147</u>	<u>755,304</u>

NOTE 44 - SUBSEQUENT EVENTS

- A. For information regarding the expansion of Series 6 bonds subsequent to the balance sheet date, see Note 27E2.
- B. For information regarding the rating update of the Company's bonds subsequent to balance sheet date, see Note 27K.
- C. In connection with class actions filed and developments in lawsuits after the balance sheet date, see Note 43.
- D. For information regarding the approval by the Company's Board of Directors of the dividend distribution and buyback subsequent to balance sheet date, see Note 16.
- E. For information regarding the acquisition of the portfolio management activity and mutual funds from Psagot, see Note 8E(7).
- F. For information regarding the procedures for listing the Series L subordinated bonds on the TASE, see Note 27E2.
- G. During the period from reporting date through immediately prior to the publication date of the financial statements, the participating life insurance policies marketed through 2004 achieved negative real yields. Therefore, the estimated management fees which were not collected due to negative real yield since the beginning of 2022 through immediately prior to the report publication date, amounted to approximately NIS 728 million (pre-tax). See also Note 30.
- H. Legal reform - In recent months there has been uncertainty due to the government's plans to promote changes in the legal system, and the public controversy surrounding this move. During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. The legal reform or its consequences might impact the economic environment in which the Company operates, the cost of capital raising, the credit rating of Israel, and more. At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Company's activity in particular.

Additional information on other financial investments

A. Liquid debt assets

Composition:

	As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Amortized cost	Carrying amount	Amortized cost
	NIS thousand			
<u>Government bonds</u>				
Available for sale	1,814,653	1,628,926	3,925,232	3,738,712
Total government bonds	1,814,653	1,628,926	3,925,232	3,738,712
<u>Other debt assets:</u>				
<u>Non-convertible</u>				
Available-for-sale	3,317,398	3,367,254	3,245,265	2,993,910
Total other non-convertible debt assets	3,317,398	3,367,254	3,245,265	2,993,910
<u>Convertible</u>				
Presented at fair value through profit and loss	394,299	441,759	202,640	198,062
Total other convertible debt assets	394,299	441,759	202,640	198,062
Total liquid debt assets	5,526,350	5,437,939	7,373,137	6,930,684
Regular impairments carried to profit and loss (cumulative)	357,288		81,553	

B. Shares

Composition:

	As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
<u>Liquid</u>				
Available for sale	1,407,424	1,173,073	2,120,169	1,513,615
Total liquid shares	1,407,424	1,173,073	2,120,169	1,513,615
<u>Illiquid</u>				
Available for sale	462,184	289,471	482,004	354,577
Total illiquid shares	462,184	289,471	482,004	354,577
Total shares	1,869,608	1,462,544	2,602,173	1,868,192
Regular impairments carried to profit and loss (cumulative)	345,963		216,277	

Additional information on other financial investments

C. Other financial investments

Composition:

	As of December 31, 2022		As of December 31, 2021	
	Carrying amount	Cost	Carrying amount	Cost
	NIS thousand			
<u>Liquid</u>				
Presented at fair value through profit and loss, designated upon initial recognition	1,528	807	37,832	19,867
Available for sale	439,117	371,782	819,802	772,769
Derivative instruments	70,590	71,287	84,436	85,621
Total other liquid financial investments	<u>511,235</u>	<u>443,876</u>	<u>942,070</u>	<u>878,257</u>
<u>Illiquid</u>				
Presented at fair value through profit and loss	28,437	40,131	263,501	258,705
Available for sale	4,139,159	3,054,137	2,909,482	2,321,486
Derivative instruments	211,351	78,377	286,310	3,673
Total other illiquid financial investments	<u>4,378,947</u>	<u>3,172,645</u>	<u>3,459,293</u>	<u>2,583,864</u>
Total other financial investments	<u>4,890,182</u>	<u>3,616,521</u>	<u>4,401,363</u>	<u>3,462,121</u>
Regular impairments carried to profit and loss (cumulative)	<u>245,426</u>		<u>153,113</u>	

Part 4

Special Report according to Regulation 9C Separate Financial Information

Table of Contents

	<u>Page</u>
Special report of the independent auditor on separate financial information in accordance with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970.....	3
Separate Financial Information on Financial Position	4
Separate Financial Information on Profit and Loss	5
Separate Financial Information on Comprehensive Income	6
Separate Financial Information on Changes in Equity	7-9
Separate Financial Information on Cash Flows	10
Additional Information	11-17

To

the Shareholders of The Phoenix Holdings Ltd.

Dear Sir/Madam,

Re: Special report to the audit of the separate financial information in accordance with Regulation 9(c) of the Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information disclosed in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Holdings Ltd. ("the Company") as of December 31, 2022 and for the three years periods then ended. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion the separate financial information based on our audits.

We did not audit the separate financial information taken from the separate financial information of investees, which the total investment in them, amounted to approximately NIS 1,189,414 thousand and NIS 1,015,536 thousand as of December 31, 2022 and 2021, respectively, and the Company's share in of their earnings amounted to approximately NIS 73,738 thousand, NIS 118,097 thousand and NIS 146,698 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The separate financial information of those companies was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audits and the reports of other auditors the accompanying separate financial information is prepared, in all material respects, in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 22, 2023

Kost Forer Gabbay & Kasierer
Certified Public Accountants

		As of December 31	
		2022	2021
	Note	In NIS thousand	
Assets			
Investments in investees		9,842,459	9,353,800
Loans and capital notes to investees	9	819,470	701,740
Total non-current assets		10,661,929	10,055,540
Other financial investments	4	1,006,007	946,470
Current tax assets		31	31
Receivables and debit balances	5	10,791	16,839
Cash and cash equivalents	3	16,959	109,922
Total current assets		1,033,788	1,073,262
Total assets		11,695,717	11,128,802
Equity attributable to Company's shareholders			
Share capital		311,640	310,323
Premium on shares and capital reserves		851,918	849,309
Treasury shares		(155,628)	(99,769)
Capital reserves		1,123,705	1,261,509
Surplus		8,013,123	7,331,992
Total equity		10,144,758	9,653,364
Liabilities			
Non-current liabilities			
Bonds	7	1,495,505	1,129,848
Current liabilities			
Bonds	7	35,403	315,663
Payables and credit balances	6	10,362	11,448
Liability in respect of deferred taxes	8	9,689	18,479
Total current liabilities		55,454	345,590
Total liabilities		1,550,959	1,475,438
Total equity and liabilities		11,695,717	11,128,802

The attached additional information is an integral part of the Company's separate financial information.

Benjamin Gabbay
Chairman of the Board of
Directors

Eyal Ben Simon
Chief Executive Officer

Eli Schwartz
Executive Vice President, CFO

Date of approval of the financial statements - March 22, 2023

	Note	For the year ended		
		December 31		
		2022	2021	2020
		In NIS thousand		
Company's share in the profits of investees, net of tax		1,216,360	1,900,306	1,210,661
Investment income, net and finance income		101,271	117,198	42,353
Income from management fees of investees	9	3,000	3,000	3,000
Total revenue		1,320,631	2,020,504	1,256,014
General and administrative expenses		9,897	8,703	8,164
Finance expenses		62,710	47,105	40,972
Total expenses		72,607	55,808	49,136
Profit before income tax		1,248,024	1,964,696	1,206,878
Income (expenses) on income taxes	8	(9,100)	-	37,855
Profit for the year, attributed to the Company's owner		1,257,124	1,964,696	1,169,023

The attached additional information is an integral part of the Company's separate financial information.

	For the year ended		
	December 31		
	2022	2021	2020
	In NIS thousand		
Profit for the year, attributed to the Company's owner	1,257,124	1,964,696	1,169,023
Other comprehensive income:			
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>			
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	(754)	4,460	(1,307)
Net change in fair value of financial assets classified as available for sale, carried to the income statement	(111)	(4,495)	585
Gain on impairment of financial assets classified as available for sale, carried to the income statement	208	-	937
Group's share in other comprehensive income of investees	(230,419)	327,092	169,838
Taxes on income relating to components of other comprehensive income	152	-	-
<u>Total components of income (loss) items, subsequently reclassified to profit or loss</u>	(230,924)	327,057	170,053
<u>Amounts that shall not be subsequently reclassified to profit or loss</u>			
The Group's share in other comprehensive income of equity-accounted investees	97,707	24,282	13,621
Other comprehensive income (loss) for the year, net	(133,217)	351,339	183,674
Total comprehensive income for the year	1,123,907	2,316,035	1,352,697

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders										Total equity
	Share capital	Premium on shares and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	
In NIS thousand											
Balance as of January 1, 2022	310,323	849,309	(99,769)	7,331,992	(45,655)	11,000	51,652	131,354	(41,946)	1,155,104	9,653,364
Net income for the year	-	-	-	1,257,124	-	-	-	-	-	-	1,257,124
Other comprehensive income (loss)	-	-	-	2,097	-	-	-	95,610	27,511	(258,435)	(133,217)
Total comprehensive income (loss)	-	-	-	1,259,221	-	-	-	95,610	27,511	(258,435)	1,123,907
Share-based payment	-	(2,362)	-	-	-	-	17,556	-	-	-	15,194
Acquisition of treasury shares	-	-	(55,859)	-	-	-	-	-	-	-	(55,859)
Exercise of employee options	1,317	4,971	-	-	-	-	(6,288)	-	-	-	-
Dividend (see Note 16H)	-	-	-	(581,000)	-	-	-	-	-	-	(581,000)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,910	-	-	-	(2,910)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(14,435)	-	-	-	-	-	(14,435)
Allocation of shares of a consolidated subsidiary to minority interests	-	-	-	-	3,587	-	-	-	-	-	3,587
Balance as of December 31, 2022	311,640	851,918	(155,628)	8,013,123	(56,503)	11,000	62,920	224,054	(14,435)	896,669	10,144,758

The attached additional information is an integral part of the Company's separate financial information.

The Phoenix Holdings Ltd.

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders										Total equity
	Share capital	Premium on shares and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	
	In NIS thousand										
Balance as of January 1, 2021	309,951	833,592	(26,411)	5,939,754	(43,622)	11,000	44,943	114,614	(23,338)	809,439	7,969,922
Net income for the year	-	-	-	1,964,696	-	-	-	-	-	-	1,964,696
Other comprehensive income (loss)	-	-	-	(1,787)	-	-	-	26,069	(18,608)	345,665	351,339
Total comprehensive income (loss) for the year	-	-	-	1,962,909	-	-	-	26,069	(18,608)	345,665	2,316,035
Acquisition of treasury shares	-	-	(73,358)	-	-	-	-	-	-	-	(73,358)
Share-based payment	-	13,083	-	-	-	-	9,715	-	-	-	22,798
Exercise of employee options	372	2,634	-	-	-	-	(3,006)	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	9,329	-	-	-	(9,329)	-	-	-
Dividend	-	-	-	(580,000)	-	-	-	-	-	-	(580,000)
Transaction with minority interest	-	-	-	-	1,223	-	-	-	-	-	1,223
Allocation of shares of a consolidated subsidiary to minority interests	-	-	-	-	(3,256)	-	-	-	-	-	(3,256)
Balance as of December 31, 2021	<u>310,323</u>	<u>849,309</u>	<u>(99,769)</u>	<u>7,331,992</u>	<u>(45,655)</u>	<u>11,000</u>	<u>51,652</u>	<u>131,354</u>	<u>(41,946)</u>	<u>1,155,104</u>	<u>9,653,364</u>

The attached additional information is an integral part of the Company's separate financial information.

The Phoenix Holdings Ltd.

Separate Financial Information on Changes in Equity



	Attributed to Company's shareholders										Total equity
	Share capital	Premium on shares and capital reserves	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Capital reserve in respect of available-for-sale financial assets	
	In NIS thousand										
Balance as of January 1, 2020	309,951	830,437	-	4,768,261	(43,622)	11,000	40,047	103,463	(19,926)	635,974	6,635,585
Net income for the year	-	-	-	1,169,023	-	-	-	-	-	-	1,169,023
Other comprehensive income (loss)	-	-	-	290	-	-	-	13,331	(3,412)	173,465	183,674
Total comprehensive income (loss) for the year	-	-	-	1,169,313	-	-	-	13,331	(3,412)	173,465	1,352,697
Share-based payment	-	3,155	-	-	-	-	4,896	-	-	-	8,051
Acquisition of treasury shares	-	-	(26,411)	-	-	-	-	-	-	-	(26,411)
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	2,180	-	-	-	(2,180)	-	-	-
Balance as of December 31, 2020	<u>309,951</u>	<u>833,592</u>	<u>(26,411)</u>	<u>5,939,754</u>	<u>(43,622)</u>	<u>11,000</u>	<u>44,943</u>	<u>114,614</u>	<u>(23,338)</u>	<u>809,439</u>	<u>7,969,922</u>

The attached additional information is an integral part of the Company's separate financial information.

The Phoenix Holdings Ltd.

		For the year ended		
		December 31		
		2022	2021	2020
Appendix		In NIS thousand		
<u>Cash flows for operating activities</u>				
		1,257,124	1,964,696	1,169,023
	(a)	(1,271,235)	(1,986,532)	(1,163,853)
		(14,111)	(21,836)	5,170
<u>Cash flows from (for) investing activities</u>				
		5,125	70,505	12,000
		615,000	1,063,000	-
		(16,675)	(275,000)	-
		(109,500)	(428,633)	-
		-	-	(220,000)
		22,652	19,888	83,085
		516,602	449,760	(124,915)
<u>Cash flows for financing activities</u>				
		(581,000)	(580,000)	-
		(55,859)	(73,358)	(26,411)
		397,968	(53,371)	(477,101)
		(356,564)	348,457	585,433
		(595,454)	(358,272)	81,921
		(92,963)	69,652	(37,824)
<u>Balance of cash and cash equivalents at beginning of period</u>				
		109,922	40,270	78,094
<u>Balance of cash and cash equivalents at end of period</u>				
		16,959	109,922	40,270

	For the year ended		
	December 31		
	2022	2021	2020
	In NIS thousand		
<u>Adjustments required to present cash flows for operating activities:</u>			
<u>Items not involving cash flows:</u>			
Net (gains) losses on financial investments	(82,845)	(62,354)	1,346
<u>Income and expense items not involving cash flows:</u>			
Accrued interest and appreciation of bonds	43,992	31,887	11,289
Taxes on income	(9,100)	-	37,859
Company's share in investees' profits, net	(1,216,361)	(1,900,306)	(1,210,661)
<u>Changes in other balance sheet line items, net:</u>			
Change in receivables and debit balances	7,948	(10,456)	(562)
Change in payables and credit balances	(1,086)	(13,490)	(5,543)
Changes in loans to investees	(13,783)	(13,565)	2,419
<u>Cash paid and received during the period for:</u>			
Taxes paid, net	-	(18,248)	-
Total cash flows for operating activities	(1,271,235)	(1,986,532)	(1,163,853)

NOTE 1 - GENERAL

Set forth below are financial data taken from the Group's consolidated financial statements as of December 31, 2022 (hereinafter - "Consolidated Financial Statements") attributed to the Company itself and published as part of the periodic report (hereinafter - "Separate Financial Information").

The separate financial information should be read in conjunction with the Consolidated Financial Statements.

A. Definitions

- (1) **The Company** - The Phoenix Holdings Ltd.
- (2) **Investees** - consolidated companies and companies, the Company's investment therein is included in the financial statements using the equity method, whether directly or indirectly.
- (3) **Report date** - the date of the Statement of Financial Position.
- (4) **"The Phoenix Insurance"** - The Phoenix Insurance Company Ltd.
- (5) **Platinum** - Platinum Finance and Factoring Ltd.
- (6) **"The Phoenix Investments"** - The Phoenix Investments and Finances Ltd.
- (7) **"The Phoenix Agencies"** - The Phoenix Insurance Agency (1989) Ltd.
- (8) **"The Phoenix Pension and Provident"** - The Phoenix Pension and Provident Fund Ltd.
- (9) **The Phoenix Advanced Investments** - (formerly Halman Aldubi Investment House Ltd.)
- (10) **Regulation 9(c)** of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION

- A. The separate financial information has been prepared in conformity with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - "Regulation 9C") including all the particulars specified in the Tenth Addendum to the said regulations (hereinafter - "the Addendum"), and subject to the clarifications specified in "Clarification Regarding the Corporation's Separate Financial Statements", which was published on the website of the Israel Securities Authority on January 24, 2010, and which addresses the manner of application of the said Regulation and Addendum (hereinafter - "the ISA Staff Clarification").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereinafter - "IFRS") in general, and the provisions of IAS 27 - "Consolidated and Separate Financial Statements" in particular. Nevertheless, the accounting policy specified in Note 2 to the Consolidated Financial Statements regarding the significant accounting policies and the method by which the financial data were classified in the Consolidated Financial Statements, were applied for the purpose of presenting the separate financial information, with the required changes as stated below.

The additional information presented below also includes disclosures regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9C and as specified in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the Consolidated Financial Statements in a way expressly referring to the Company itself.

1. **Assets and liabilities included in the consolidated statements of financial position attributed to the Company:**

The separate financial information includes the amounts of the assets and liabilities included in the consolidated financial statements which are attributed to the Company itself - classified according to types of assets and liabilities. The classification of these data is consistent with their classification in the consolidated statements of financial position. In addition, a net amount is presented, based on the Consolidated Financial Statements, which is attributed to shareholders of the Company itself, of total assets less total liabilities, which present financial information regarding investees (including goodwill) in the consolidated statements of financial position.

Such presentation results with the equity attributed to shareholders of the Company on the basis of the Consolidated Financial Statements being identical to the Company's equity as derived from the separate financial information.

NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION (cont.)

A. (cont.)

2. **Income and expenses included in the consolidated statements of other comprehensive income and loss attributed to the Company itself:**

The financial data includes amounts of income and expenses, which are included in the Consolidated Financial Statements, categorized in the separate financial information to profit or loss or to other comprehensive income, which are attributed to the Company itself; those income and expenses are categorized according to the type of income or expense. The classification of these data is consistent with their classification in the consolidated statements of comprehensive income.

The separate financial information also includes – based on the Consolidated Financial Statements - the net amount attributed to shareholders of the Company itself, of total income net of total expenses which reflect the operating results of investees in the Consolidated Financial Statements, including impairment of goodwill, impairment of investment in associate or reversal thereof, and impairment of investment in a jointly controlled company accounted for by the equity method, or reversal thereof.

Such presentation results with the total income for the year attributed to Company's owners and the total comprehensive income for the year attributed to Company's owners, on the basis of the Consolidated Financial Statements, being identical to total income for the year attributed to Company's owners and total comprehensive income for the year attributed to the Company's owners, respectively, as derived from the separate financial information.

3. **Cash flows included in the Consolidated Financial Statements attributed to the Company itself:**

Separate financial information amounts which represent cash flows included in the Consolidated Financial Statements attributed to the Company itself are derived from the consolidated statements of cash flows; cash flow amounts are classified into cash flows from operating activities, investing activities and financing activities, and their composition is also disclosed. The classification of these data is consistent with their classification in the consolidated financial statements.

B. **Company's transactions with investees**

1. Intra-group balances and income and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.
2. Transactions between the Company and its investees were measured in accordance with the measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

NOTE 3 – CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
	In NIS thousand	
Shekel-denominated cash and deposits with banks available for immediate withdrawal	16,959	109,922

As of balance sheet date, the cash with banks bear current interest of 2.91%-3.48% based on nominal interest rates applicable to daily deposits with banks (December 31, 2021 - 0%-0.06%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 3.50%-3.90% (December 31, 2021 - 0%-0.45%).

NOTE 4 - OTHER FINANCIAL INVESTMENTS

1. Set forth below is a breakdown of the investments in financial assets attributed to the parent company in accordance with IAS 39:

As of December 31, 2022				
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
In NIS thousand				
Liquid debt assets	157	-	-	157
Illiquid debt assets(*)	-	-	1,000,534	1,000,534
Shares	-	5,083	-	5,083
Other	-	233	-	233
Total	157	5,316	1,000,534	1,006,007

As of December 31, 2021				
	Presented at fair value through profit and loss	Available- for-sale	Loans and receivables	Total
In NIS thousand				
Liquid debt assets	183	-	-	183
Illiquid debt assets (*)	-	-	941,783	941,783
Shares	-	4,222	-	4,222
Other	-	282	-	282
Total	183	4,504	941,783	946,470

2. FAIR VALUE OF FINANCIAL INVESTMENTS BY LEVEL:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	157	-	-	157
Shares	2,045	-	3,038	5,083
Other	233	-	-	233
Total	2,435	-	3,038	5,473
Fair value of illiquid debt assets (*)	-	908,848	2,859	911,707

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Liquid debt assets	183	-	-	183
Shares	4,202	-	20	4,222
Other	282	-	-	282
Total	4,667	-	20	4,687
Fair value of illiquid debt assets (*)	-	1,124,643	2,009	1,126,652

(*) For details regarding the Additional Tier 1 capital instrument, see Note 9E.

NOTE 5 - RECEIVABLES AND DEBIT BALANCES

	December 31	
	2022	2021
	In NIS thousand	
Interest receivable from investees	10,260	12,084
Other	531	4,755
	<u>10,791</u>	<u>16,839</u>

NOTE 6 - PAYABLES AND CREDIT BALANCES

	December 31	
	2022	2021
	In NIS thousand	
Interest payable - in respect of bonds	6,778	4,583
Investees	469	4,652
Accounts payable	2,982	2,207
Other payables and credit balances	119	6
Government authorities	13	-
	<u>10,362</u>	<u>11,448</u>

NOTE 7 - BONDS**1. Repayment in years subsequent to the reporting date:**

	As of December 31	
	2022	2021
	In NIS thousand	
First year	35,403	315,663
Second year	47,403	33,628
Third year	135,548	33,628
Fourth year	135,548	84,503
Fifth year onwards	<u>1,193,964</u>	<u>993,324</u>
	1,547,866	1,460,746
Less current maturities	(35,403)	(315,663)
Less - discount and deferred acquisition costs	<u>(16,958)</u>	<u>(15,235)</u>
	<u>1,495,505</u>	<u>1,129,848</u>

For further details, please see Note 27 to the Consolidated Financial Statements.

2. Changes in liabilities stemming from financing activity:

	Bonds NIS thousand
Balance as of January 1, 2021	1,118,538
Cash flow, net	295,086
Effect of changes in the CPI	18,082
Other changes	<u>13,805</u>
Balance as of December 31, 2021	1,445,511
Cash flow, net	39,611
Effect of changes in the CPI	27,056
Other changes	<u>18,730</u>
Balance as of December 31, 2022 (*)	<u>1,530,908</u>

(*) The balance includes current liabilities.

NOTE 8 - TAXES ON INCOME

A. Tax Assessments

The Company has tax assessments, which are considered to be final through tax year 2017, in accordance with Section 145 of the Income Tax Ordinance.

B. Liability in respect of deferred taxes

The outstanding liability in respect of deferred taxes as of December 31, 2022 is for expected tax on the future dividend from The Phoenix Agencies, which is subject to profit tax, offset by a tax asset that the Company created for the first time in 2022, totaling NIS 9 million for carryforward business losses (see Section C below).

C. Losses are carried forward for tax purposes and other temporary differences

The Company has carry forward business losses totaling approximately NIS 138,838 thousand and NIS 170,087 thousand as of December 31, 2022 and December 31, 2021, respectively. In respect of loss balances, deferred taxes totaling NIS 9,100 thousand were created; the tax assets amount is equal to the balance of losses that can be offset in the foreseeable future. For more information, see Note 23D to the Consolidated Financial Statements.

D. Taxes on income included in the income statements

	December 31		
	2022	2021	2020
	In NIS thousand		
Current taxes (*)	-	19,376	-
Deferred taxes in respect of the creation and reversal of temporary differences (**)	9,100	(19,376)	37,855
Total taxes on income	<u>9,100</u>	<u>-</u>	<u>37,855</u>

(*) Profit tax paid for dividends from The Phoenix Agencies.

(**) See Note, Section C above.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEEES

A. Balances with investees

	As of December 31	
	2022	2021
	In NIS thousand	
<u>Current assets</u>		
Receivables and debit balances	10,260	12,084
Other financial investments (*)	<u>995,404</u>	<u>937,714</u>
	<u>1,005,664</u>	<u>949,798</u>
<u>Non-current assets</u>		
Loans and capital notes to investees (see Note E below)	<u>819,470</u>	<u>701,740</u>

(*) For details regarding Tier 1 instrument, see Section E below.

B. Transactions with investees

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Income from management fees of investees	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

The Company and subsidiaries entered into an agreement for the provision of management services in exchange for annual consideration of NIS 3,000 thousand. For further details, please see Note 43 to the Consolidated Financial Statements.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

C. Finance income from investees

	For the year ended December 31		
	2022	2021	2020
	In NIS thousand		
Finance income	99,479	111,155	43,725

D. Loans and capital notes to consolidated companies

1. The Phoenix Investments

	Interest rate %	As of December 31	
		2022	2021
		In NIS thousand	
Capital notes (1)	-	358,000	313,000
Loans (2)	2.42	82,676	82,681
		<u>440,676</u>	<u>395,681</u>

- (1) On July 11, 2022, the Company invested in The Phoenix Investments an additional NIS 45 million against the issuance of a capital note. The capital notes are not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date.
- (2) The NIS 82 million loan is not linked to the CPI and the interest rate set is interest in accordance with Section 3J to the Income Tax Ordinance.

2. The Phoenix Pension and Provident Fund

	Interest rate %	As of December 31	
		2022	2021
		In NIS thousand	
Linked loans	0.44-0.45%	205,147	194,001
Unlinked loans	1.94%	107,556	110,617
		<u>312,703</u>	<u>304,618</u>

For details regarding the loans to The Phoenix Pension and Provident - see Note 8E2 to the Consolidated Financial Statements.

3. Platinum

	Interest rate %	As of December 31	
		2022	2021
		In NIS thousand	
Loan in NIS	2.42	529	841
Unlinked capital note	-	5,100	600
		<u>5,629</u>	<u>1,441</u>

In December 2012, the Company gave Platinum a loan bearing NIS interest at the rate set in the Income Tax (Setting Interest Rate for Purposes of Section 3(j), 1986. This loan is repayable in 44 equal payments of principal as from March 31, 2013.

On February 1, 2007, Platinum issued a NIS 4 million capital note to the Company. The capital note is unlinked and does not bear interest. In July 2021, Platinum repaid a total of NIS 3.4 million. The outstanding capital note is scheduled to be repaid on December 31, 2099.

On November 27, 2022, Platinum issued a NIS 4.5 million capital note to the Company. The capital note is unlinked and does not bear interest. In any event, the capital note will not be repaid before five years have elapsed from its issuance date.

NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

D. Loans and capital notes to consolidated companies (cont.)

4. The Phoenix Investment House

On September 13, 2022, the Company granted The Phoenix Investment House, a subsidiary of The Phoenix Investment and Finances, a loan totaling NIS 60 million to be repaid in 4 equal payments and bearing an annual interest equal to that of the Bank of Israel interest rate, plus 1.48%. For further details, please see Note 8E1 to the Consolidated Financial Statements.

E. Financial investment in The Phoenix Insurance

In August 2021, The Phoenix Insurance issued - through The Phoenix Capital Raising, an Additional Tier 1 capital instrument (hereinafter - the "Capital Instrument") totaling approximately NIS 200 million. The Capital Instrument is linked to the CPI and carries an annual interest rate of 2.29%. The principal shall be repaid in a single installment on February 5, 2032. The interest shall be paid twice a year - on February 5, and on August 5 of each year during the years 2022 through 2032; the first installment was paid on February 6, 2022. The Tier 1 capital instrument was rated A+ by Ma'alot S&P. The Capital Instrument is currently traded on the TACT-Institutionals trading platform. In addition to the aforesaid amount that was issued and after obtaining the approvals of the relevant organs in The Phoenix Group and the approval of the Capital Market, Insurance and Savings Authority, The Phoenix Capital Raising issued to the Company a capital instrument at the total amount of NIS 1,025 million in exchange for the capital notes previously issued to the Company by The Phoenix Insurance at the total amount of NIS 850 million. The capital instrument is recognized as regulatory capital for the purpose of capital requirements under the Economic Solvency Regime. The terms and conditions of the instrument, including the redemption period, are in accordance with the provisions of Part B ("Provisions in respect of Equity Capital of Insurance Companies") to Insurance Circular 2020-1-15, "Provisions for Applying Economic Solvency Regime Based on Solvency II for Insurance Companies".

As a result of exchanging the said Additional Tier 1 capital notes, and in accordance with a substantial replacement of the debt instruments, the Company recorded in 2021, a pre-tax gain arising from early redemption of NIS 45 million. For details regarding the arrangement for listing for trading on the TASE an additional Tier 1 capital instrument subsequent to the balance sheet date, see Note 27E2 to the consolidated financial statements.

NOTE 10 - SUBSEQUENT EVENTS

(*) For further details regarding subsequent events, please see Note 42 to the consolidated financial statements.

March 22, 2023

To
The Board of The Phoenix Holdings Ltd. (Hereinafter: the "Company")

Dear Madam/Sir,

Subject: Shelf Prospectus of The Phoenix Holdings Ltd. (Hereinafter: the "Shelf
Prospectus")

Published on August 24, 2022

We hereby inform you that we agree to the inclusion (including by way of reference) of our reports, as listed below, in a shelf offering based on the Shelf Prospectus in the subject:

1. The auditor's report dated March 22, 2023, on the Company's consolidated financial statements for December 31, 2022, and 2021, and for each of the three years in the period that ended on December 31, 2022.
2. The special report dated March 22, 2023, on the Company's separate financial information pursuant to Regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, for December 31, 2022, and 2021, and each of the three years in the period that ended on December 31, 2022.
3. The auditor's report dated March 22, 2023, on the audit of the internal control of the Company's financial reporting components for December 31, 2022.

Kost Forer Gabbay & Kasierer
Certified Public
Accountants

Part 5

Additional Details About the Corporation

Regulation 9D – Report of the Status of Liabilities according to Repayment Dates, as of December 31, 2022

For further details regarding the status of the Company's liabilities according to repayment dates, please see the Company's immediate report dated March 23, 2023.

Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2022

	Quarter 1-3.22	Quarter 4-6.22	Quarter 7-9.22	Quarter 10-12.22	Total 2022
Premiums earned, gross	3,014,388	3,018,421	3,118,892	2,985,530	12,137,231
Premiums earned by reinsurers	391,193	400,792	408,240	369,869	1,570,094
Premiums earned - retention	2,623,195	2,617,629	2,710,652	2,615,661	10,567,137
Investment income (losses), net and finance income	(681,504)	(4,753,868)	(1,413,080)	1,293,621	(5,554,831)
Income from management fees	372,845	389,199	386,705	398,979	1,547,728
Income from fees and commissions	233,214	197,051	188,392	217,255	835,912
Income from financial and other services	44,000	57,000	57,000	65,000	223,000
Revenue from factoring and clearing	28,612	35,215	42,024	36,903	142,754
Other income	4,683	132,104	3,250	4,743	144,780
Total income	2,625,045	(1,325,670)	1,974,943	4,632,162	7,906,480
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	934,820	(2,217,378)	943,492	3,327,896	2,988,830
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	299,157	308,137	235,403	181,104	1,023,801
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	635,663	(2,525,515)	708,089	3,146,792	1,965,029
Fees and commissions, marketing expenses and other purchase expenses	463,485	458,682	496,104	515,534	1,933,805
General and administrative expenses	432,866	444,592	438,098	489,728	1,805,284
Other expenses	16,583	14,926	16,023	43,564	91,096
Finance expenses	59,641	90,464	80,706	87,723	318,534
Total expenses	1,608,238	(1,516,851)	1,739,020	4,283,341	6,113,748
Share in profits of equity-accounted investees	3,919	26,355	19,178	12,096	61,548
Profit before income taxes	1,020,726	217,536	255,101	360,917	1,854,280
Taxes on income	330,535	6,367	72,362	95,072	504,336
Profit for the period	690,191	211,169	182,739	265,845	1,349,944
Profit for the period attributed to:					
Company's shareholders	675,097	184,866	162,393	234,768	1,257,124
Non-controlling interests	15,094	26,303	20,346	31,077	59,216
	690,191	211,169	182,739	265,845	1,349,944

Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2022 (cont.)

	Quarter 1-3.22	Quarter 4-6.22	Quarter 7-9.22	Quarter 10-12.22	Total 2022
Profit for the period	690,191	211,169	182,739	265,845	1,349,944
Other comprehensive income (loss):					
<u>Amounts classified or reclassified to profit or loss under specific conditions</u>					
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	(400,588)	(233,659)	(166,743)	115,019	(685,971)
Net change from disposal of financial assets classified as available for sale, carried to the income statement	(197,568)	(102,476)	(88,170)	69,936	(318,278)
Gain on impairment of financial assets classified as available for sale, carried to the income statement	102,914	311,690	103,476	94,412	612,492
Company's share in other comprehensive income (loss), net of equity-accounted companies	2,407	16,416	(1,016)	9,704	27,511
Tax effect	169,168	8,073	51,780	(95,699)	133,322
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss	(323,667)	44	(100,673)	193,372	(230,924)
<u>Amount that will not be subsequently reclassified to profit or loss</u>					
Revaluation of property, plant, and equipment	-	-	-	124,168	124,168
Actuarial gain (loss) in respect of defined benefit plans	1,110	-	-	2,574	3,684
Tax effect	(255)	-	-	(29,347)	(29,602)
Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss	855	-	-	97,395	98,250
Total other comprehensive income (loss), net	(322,812)	44	(100,673)	290,767	(132,674)
Total comprehensive income for the period	367,379	211,213	82,066	556,612	1,217,270
<u>Attributed to:</u>					
Company's shareholders	352,023	184,910	61,720	525,254	1,123,907
Non-controlling interests	15,356	26,303	20,346	31,358	93,363
Comprehensive income for the period	367,379	211,213	82,066	556,612	1,217,270

Regulation 10C - Use of proceeds for securities**Issuance of Series 6 bonds and early redemption of Series 3 bonds**

In January 2022, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5, 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated iAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. The proceeds of the issuance were used by the Company to make a full early redemption of the Bonds (Series 3), in the total amount of NIS 283,770,005, which was made on January 18, 2022. For further details, see Note 27 to the Company's financial statements and immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

Private placement of Series 4 Bonds

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed on the Tel Aviv Stock Exchange Ltd. The bonds are rated iAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. For further details, please see the Bank's immediate report dated September 11, 2022 (Ref. No.: 2022-01-093804).

Issuance of further Series 6 bonds by the Company by way of series expansion

In January 2023, subsequent to the report date, the Company issued - by way of expansion - further Series 6 bonds of up to NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 thousands. The Series 6 bonds are rated iAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

Regulation 11 - List of Investments in Main Subsidiaries and Related Companies as of the Balance Sheet Date

				Holdings rate out of the issued capital, by percentage	
	Share class in p.v.	Total p.v. in NIS	Value in the separate financial statements In NIS thousands (*)	In voting and in right to appoint directors	In equity
<u>The Company's Subsidiaries and Related Companies</u>					
The Phoenix Insurance Company Ltd.	NIS 1	157,773,522	6,700,445	100	100
The Phoenix Insurance Company Ltd.	NIS 5	1,699,452	-	100	100
The Phoenix Investments and Finances Ltd.	NIS 0.001	12,833	1,432,913	100	100
The Phoenix Insurance Agency 1989 Ltd. (see note on the restructuring of The Phoenix Agencies)	NIS 1	10,017,345	759,528	100	100
The Phoenix Pension and Provident Fund Ltd	NIS 1	6,507,447	904,390	100	100
<u>Subsidiaries and Related Companies of The Phoenix Insurance Company Ltd.</u>					
Ad 120 Residence Centers for Senior Citizens Ltd.	NIS 1	3,646	722,027	47	47
Hadar Green Company Properties and Investments Ltd.	NIS 1	8,580,490	162,717	100	100
LRC	-	-	124,229	12.25	12.25
EL-AL FLY CARD	NIS 0.01	19,900	160,477	19.9	19.9
<u>Subsidiaries and Related Companies of The Phoenix Investments and Finances Ltd.</u>					
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	NIS 1	17,024,278	1,110,237	100	100
Gama Management and Clearing Ltd.	NIS 1	33,036	468,419	61	61
The Phoenix Advanced Investments Ltd. (formerly - Halman Aldubi Investment House Ltd.).	NIS 0.5	13,407,128	101,336	100	100
<u>Subsidiaries and Related Companies of The Phoenix Insurance Agency 1989 Ltd.</u>					
Agam Leaderim Ltd. (see note on the restructuring of The Phoenix Agencies)	NIS 1	60,000	152,840	70	70
Shekel Insurance Agency (2008) Ltd.	NIS 1	100	203,969	100	100
Oren Mizrah Insurance Agency Ltd.	NIS 1	683,000	135,520	68.32	68.32
<u>Subsidiaries and related companies of Excellence Investments Ltd.</u>					
ESOP Management and Trust Services Ltd.	NIS 1	6,995	62,102	94.42	94.42
KSM Holdings Ltd.	NIS 0.01	1,164,957	297,859	84	84
Excellence Investment Management and Securities Ltd.	NIS 1	15,075,095	376,500	100	100

The shares are not listed on the TASE, other than the shares of Gama Management and Clearing Ltd.

(*) The balances for the main subsidiaries do not include loans and capital notes, attributable to the part of the nostro only and attributable to the part of the Company only.

Regulation 11 - Breakdown of Loans and Capital Notes to Subsidiaries and Main Related Companies (cont.)

The Company's Main Subsidiaries and Related Companies	Balance of loans, bonds and capital notes in NIS thousand	Repayment date
The Phoenix Investments and Finances Ltd.	82,676	Interest-bearing loan 3(j), repayment date - September 30, 2024
The Phoenix Investments and Finances Ltd.	358,000	Non-linked interest-free capital notes, with no repayment date, but will not be repaid before five years will have elapsed from the signing date of the capital notes.
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	60,462	Loan under the same terms as Series 4 Debentures
The Phoenix Insurance Company Ltd.	995,404	Tier 1 capital instrument Series L - Security No. 1179225
The Phoenix Pension and Provident Fund Ltd	312,703	An NIS 105 million loan, at the same terms as the Company's Series 5 Debentures, and NIS 208 million in other loans, at the same terms as the Company's Series 6 Debentures.

Main Subsidiaries and Related Companies of The Phoenix Insurance Company Ltd.

The Phoenix Mortgages (Gold) Ltd.	221,910	A loan with an average 5.3% interest.
EL-AL FLY CARD	372,750	A dollar-denominated loan with a fixed 7% interest. Repayment date - June 30, 2028
Ad 120 Residence Centers for Senior Citizens Ltd.	24,532	A loan under the same terms as the subordinated notes (Series J) of The Phoenix Insurance

The Company's Main Subsidiaries and Related Companies - Balance of loans, bonds and capital notes in NIS thousand - repayment date
Main Subsidiaries and Related Companies of The Phoenix Investments and Finances Ltd.

Phoeniclass Ltd.	43,744	The amount includes a CPI-linked loan in the amount of NIS 19,408 thousand that bears an interest rate of approximately 5%. The balance of the amount bears a 2.42% interest under Section 3(j) of the Income Tax Ordinance.
Gama Management and Clearing Ltd.	41,667	A loan bearing interest of Prime + 0.5%, payable in 6 equal annual payments starting from October 2022.

Subsidiaries and Related Companies of The Phoenix Insurance Agency 1989 Ltd.

Oren Mizrach Insurance Agency Ltd.	136,640	Unlinked loans, with interest rates between Prime + 2.8% and 5%, repayable in payments up to February 2033.
The Phoenix Insurance Company Ltd.	102,000	An loan bearing annual interest at the higher of 3(j) to the rate of return on the nostro funds of The Phoenix Insurance Company Ltd., repayable immediately.

Regulation 12 - Changes in Investments in Main Subsidiaries and Related Companies in the Reporting Period**El Al Matmid Frequent Flyer Ltd.**

On June 23, 2022, a binding agreement was signed for extending a USD 130 million loan by The Phoenix Insurance to El Al Frequent Flyer Ltd. (hereinafter - the "Borrower") through the nostro funds. The loan shall be advanced for a period ending June 30, 2028 (hereinafter - the "Loan Term").

Under the agreement, The Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. As a result of the above, in 2022, The Phoenix Insurance revalued the option and recognized a one-off earning of approx. NIS 70 million. On September 13, 2022, The Phoenix Insurance announced partial exercise of the option at a rate of 19.9% of the Borrower's shares in consideration for an exercise price of USD 14 million, such that subsequent to the exercise of the option the balance of the investment is NIS 160 million. The remaining balance of the loan, including the un-exercised option, are presented under the financial investments line item. For further details, please see the Bank's immediate report dated September 13, 2022 (Ref. No.: 2022-01-094686).

Sale of control in Ad 120 -

In October 2021, the transaction to sell control of Ad 120 - which was wholly-owned (directly and indirectly) by The Phoenix Insurance - to Shapir Engineering and Industry Ltd. (hereinafter - "Shapir") was completed, such that subsequent to the completion of the transaction, Shapir holds 53% (directly and indirectly) of the issued and paid up share capital of Ad 120, and The Phoenix Insurance holds 47% (directly and indirectly) share capital of Ad 120. As a result of the above, the Company recognized a NIS 340 million pre-tax gain in 2021. The investment in Ad 120 is presented under the investment in associates.

Haphen-Tao Holdings

The Phoenix Insurance and The Phoenix Investments hold 50% of the interests in Haphen-Tao Holdings Limited Partnership (hereinafter - the "Partnership"). Through July 3, 2022, the Partnership held 50% of the rights and liabilities in the "Mall Hayam" shopping center in Eilat, such that, effectively, The Phoenix Insurance held 25% of the mall.

On October 3, 2021, the Partnership and the other owners signed an agreement for the sale of the entire rights in the shopping center to the Azrieli Group in consideration for NIS 1.31 billion (100%). The transaction was completed on July 3, 2022, after obtaining the approval of the Israel Competition Authority.

Transfer of Phoeniclass from The Phoenix Investments to The Phoenix Insurance

Further to what is stated in Note 1G to the Consolidated Annual Financial Statements as at 2021, regarding the transfer of 49% of the issued and paid up share capital of Phoeniclass from The Phoenix Insurance to the Company, on March 31, 2022, the said transfer of shares was completed upon receipt of the approval of the Israel Tax Authority, which was a condition precedent for the completion of the transaction. As part of the completion of the transfer of Phoeniclass' shares to the Company, and in accordance with the Circular on Allocation on Non-Marketable Assets applicable to the Company, the latter carried out a valuation of Phoeniclass' shares through an external independent appraiser. In accordance with the valuation, during the first quarter of 2022, the Company recognized a one-off pre-tax earning of NIS 99 million from revaluation of excess fair value of the investment against LAT in the health insurance segment. For more details regarding the effect of the reclassification of excess value illiquid assets from the health insurance segment and equity to the P&C insurance segment, see Note 40, Risk Management.

Restructuring in Halman Aldubi, including change of its name The Phoenix Advanced Investments Ltd.

In January 2022, the board of directors of The Phoenix Advanced Investments authorized a restructuring of the companies it controls and the distribution of the following companies that it holds to the Company, as a dividend in kind: Halman-Aldubi Pension Insurance Agency (2005) Ltd. and Quality Pension Insurance Agency (2017) Ltd., and 16% of the shares it holds in The Phoenix Pension and Provident. It should be noted that the resolution of the Board of Directors of The Phoenix Advanced Investments regarding the distribution is subject to court approval, since it does not meet the profit test. During the second quarter, the Court approved the distribution, and the Israel Tax Authority approved the restructuring.

Regulation 12 - Changes in Investments in Main Subsidiaries and Related Companies in the Reporting Period (cont.)**Restructuring in Halman Aldubi, including change of its name The Phoenix Advanced Investments Ltd. (cont.)**

Furthermore, The Phoenix Advanced Investments' Board of Directors approved the sale of Halman-Aldubi IEC Gemel Ltd. to the Company; this sale was completed in March 2022.

Concurrently, the Company approved the transfer of its holding in The Phoenix Advanced Investments to The Phoenix Investments and The Phoenix Investments approved the transfer of its holdings in the alternative funds to The Phoenix Advanced Investments. Subsequent to the execution of the restructuring as stated above, the alternative investment activities are managed in their entirety under The Phoenix Advanced Investments.

Issuance and repayment of capital notes - The Phoenix Investments

On September 15, 2022, the Company and The Phoenix Investment House signed a loan agreement, under which the Company advanced a NIS 60 million loan, against the expansion of the Company's Series 4 bonds.

The loan shall bear annual interest at a rate equal to the Bank of Israel's interest plus 1.476%; it is expected to be repaid in four annual equal payments starting on July 31, 2025, and through July 31, 2028. The terms of the bonds are identical to the terms of the loan. This loan was used by The Phoenix Investment House to acquire Epsilon Investment House; for more information, see Section 8E below.

On July 11, 2022, The Phoenix Investments issued a NIS 45 million capital note to the Company. The capital note is not linked to the CPI, does not bear interest, and has no fixed repayment date. In any event, the capital note will not be repaid before five years have elapsed from its issuance date.

Loans to The Phoenix Pension and Provident

On January 27, 2021, the Company's Board of Directors approved a credit facility agreement for subsidiary The Phoenix Pension and Provident. The credit facility will be used by The Phoenix Pension and Provident according to its needs, for a total of up to NIS 100 million for a period of two years. The credit terms and conditions shall be identical, back to back, in respect of Series 5 Bonds issued by the Company. As of September 19, 2021, the credit facility was fully utilized. The principal will be repaid by six variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, and the fourth payment repaying 28% of the principal. The fifth and sixth payment will repay 30% of the principal. Interest on the outstanding balance of the credit amounts to be granted, from time to time, shall be paid in semi-annual installments on May 1 of each of the years 2021 to 2030 (inclusive), and on November 1 of each of the years 2020 to 2029 (inclusive).

In September 2021, the Company's Board of Directors approved an additional loan in the amount of NIS 105 million; the loan principal will bear an annual interest rate at the higher of the following: (1) the interest rate will be according to the provisions of Section 3(J) to the Income Tax Ordinance (New Version), 1961; or (2) if subsequent to the loan date, the Company will issue bonds - in accordance with the nominal interest rate. Repayment of the loan, including the accrued interest, will be no later than September 19, 2030.

On January 9, 2022, the Company issued NIS 300 million p.v. in Bonds (Series 6). The bonds carry a fixed annual interest of 1.94%. In December 2021, the Board of Directors of The Phoenix Pension and Provident decided to adjusted the terms of the loans to those of the Bonds (Series 6). For information regarding the terms of the bonds - see Note 27E.

Regulation 12 - Changes in Investments in Main Subsidiaries and Related Companies in the Reporting Period (cont.)

The Phoenix Investment House (formerly Excellence Investments)

The Phoenix Investment House holds approximately 84% of the shares of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings"), and 16% of the shares of KSM are held by three partners (hereinafter - the "Minority Shareholders in KSM Holdings"), of which approximately 9.55% of the shares are held by Avner Hadad and Boaz Nagar, *pari passu* (hereinafter - the "Managers"). In May 2022, the parties signed binding agreements, and an application for a statutory merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with The Phoenix Investment House. Following the merger and further actions, the Company will hold, through The Phoenix Investments, 88.44% of the shares of The Phoenix Investment House and the minority shareholders in KSM Holdings will hold approximately 11.56% of the shares of The Phoenix Investment House, of which the share of Avner Hadad and Boaz Nagar will be 7.5%, each according to his share. Furthermore, options arrangements were established to execute transactions, from 2016 to 2029, between The Phoenix Investments and the Managers in connection with their holdings in The Phoenix Investment House at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. In accordance with the signed agreements, The Phoenix Investment House intends to focus on the management of The Phoenix Investment House's core businesses, which include the activity of KSM Mutual Funds, TASE Member, portfolio management and ESOP. Other activities were transferred from The Phoenix Investment House to other Group companies. In January 2023, all of the required approvals were obtained and the merger was completed.

Acquisition of Epsilon Investment House Ltd.

In November 2022, The Phoenix Investment House entered into an agreement for the acquisition of the entire issued share capital of Epsilon Investment House Ltd. (hereinafter - "Epsilon Investment House"), which holds, among other things, Epsilon Mutual Funds Management (1991) Ltd. (hereinafter - "Epsilon Funds") and Epsilon Investment Portfolio Management Ltd. The proceeds of the transaction amount to NIS 45 million plus an amount equal to Epsilon's liquid capital (as this term was defined in the agreement), net of dividends to be distributed after the calculation date of the liquid capital and through the completion date. The transaction was completed on February 13, 2023.

The Phoenix Investment House intends to take steps to merge Epsilon into The Phoenix Investment House, and to merge Epsilon Funds into the fund manager; the activity of Epsilon Portfolio will continue to be conducted independently under the management of the Sellers for a period of 5 years.

Out of the consideration paid for the acquisition, the Company advanced a NIS 60 million loan to The Phoenix Investment House by way of expanding the lender's Series 4 bonds; for information regarding the terms of the bonds - see Note 27E.

Gama Management and Clearing

Gama is engaged in financing, factoring, clearing and management of credit card transactions, providing various types of credit, factoring receivables and check clearing services. Gama's main activity is the provision of credit card factoring services. The factoring services involve bringing forward the payment to businesses against the businesses' assigning the credit card transactions to the factoring company. Among other things, this service allows businesses - Gama customers - to enter into sale transactions with their own customers allowing those customers to pay the transaction proceeds in installments; Gama brings forward the payment of the entire transaction consideration for its customers. The company is examining the possibility of expanding its activity to related areas.

In June 2021, Gama completed an IPO on the TASE; concurrently with the IPO, The Phoenix Investments purchased further shares, such that subsequent to the acquisition The Phoenix Investments holds 60% of Gama's shares. In 2021, as a result of assuming control, the Company recognized a NIS 220 million gain, which is presented under "other income" in the credit segment.

Regulation 12 - Changes in Investments in Main Subsidiaries and Related Companies in the Reporting Period (cont.)

Gama Management and Clearing (cont.)

On June 26, 2022, Gama offered, through a shelf offering report, 13,107,120 ordinary shares of the Company NIS 0.01 par value each to shareholders of Gama, who held the securities conferring the rights on July 3, 2022, through 2,621,424 right units. The shares were issued by way of issuance of rights, such that each holder of 21 securities that confer rights on July 3, 2022, was entitled to acquire one right unit comprised of 5 ordinary shares of the Company at a price of NIS 45.8 per unit (NIS 9.16 per one share). Through the rights exercise deadline - July 18, 2022 - the Company received announcements regarding the exercise of 2,609,152 units for the acquisition of 13,045,759 ordinary shares of the company, which constitute approx. 99.5% of the total shares offered in the shelf offering report. In consideration for the exercise of the above right units as stated above, Gama received a total of NIS 119.5 million. The entire issuance proceeds will be used to develop the company's businesses and fund its operating activities. The Phoenix Investments exercised all of its share purchase rights in accordance with the shelf offering report. As of the date of this report, The Phoenix Investments holds approx. 61%.

Restructuring - The Phoenix Agencies

In December 2022, the competent organs of The Phoenix Agencies and Agam Leaderim, a company in which The Phoenix Agencies has a 60% stake, approved a merger offer between the two aforesaid companies, in accordance with a merger agreement under which Agam Holdings will be wound up and merged with and into The Phoenix Agencies in consideration for allotment of ordinary The Phoenix Agencies shares that will be issued to the other shareholders of Agam Holdings, such that after the execution of the merger the Company will hold 79.412% of the shares of The Phoenix Agencies, instead of the 100% it held prior to the transaction date, Hagoz (2015) Ltd. (hereinafter - "Hagoz"), which is owned by Mr. Yitzhak Oz, will hold 17.5% of The Phoenix Agencies' shares, and Y.H.G Sasson Ltd. (hereinafter - "Y.H.G Sasson"), which is owned by Mr. Moshe Sasson, will hold 3.088% of The Phoenix Agencies' shares. In addition, upon completion of the merger, The Phoenix Agencies will hold 100% of the shares of Agam Leaderim, which runs the agency's pension and provident activity.

The completion of the merger is subject to the fulfillment of all conditions precedent, including the approval of the Israel Tax Authority to the effect that the merger is tax exempt under the provisions of Section 103 to the Income Tax Ordinance, other regulatory approvals, where required, and receipt of a merger certificate from the Registrar of Companies. As of the report publication date, the above-mentioned approvals have not been obtained.

Furthermore, an agreement in principle was signed in connection with the merger, between the Company, The Phoenix Agencies, and the other shareholders in The Phoenix Agencies subsequent to the merger (Hagoz and Y.H.G Sasson), Mr. Yitzhak Oz and Mr. Moshe. The agreement regulates the following matters:

- A. Mr. Yitzhak Oz will be appointed Active Chairman of The Phoenix Agencies, Agam Leaderim and Shekel, and an agreement for the provision of management services to The Phoenix Agencies and other companies in The Phoenix Agencies group will be signed with him, under compensation terms in line with the existing management agreement with Agam Leaderim.
- B. The options agreement of March 28, 2019, and the additions thereto of December 31, 2019, between Yitzhak Oz, Hagoz, the Company and Agam Holdings (hereinafter - the "Options Agreement") under which a put option and a call option were awarded in respect of the shares of Agam Holdings, will be replaced with a new Options Agreement, where under the parties will have options in relation to The Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of the options will be calculated based on an appraisal of The Phoenix Agencies, and in accordance with various understandings in connection with the appraisal.

The period during which the put option may be exercised is January 1, 2027 through January 3, 2028.

The period during which the call option may be exercised is January 4, 2028 through January 4, 2029.

Regulation 12 - Changes in Investments in Main Subsidiaries and Related Companies in the Reporting Period (cont.)**Restructuring - The Phoenix Agencies (cont.)****B. (cont.)**

The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If the call option is exercised by allocating Company shares, the number of Company shares that will be allocated to the seller will be increased by 1% compared with the number of shares the seller would have received had it not been for this provision; this is compared with a 5% increase if the put option is exercised by share allocation as stated above.

Other matters that will be regulated by the new Options Agreement are: (1) The value of The Phoenix Agencies that will serve as a minimum price for the shares that will be held by Hagoz on the option exercise date shall be calculated based on a multiple of 5 in respect of the average annual EBITDA (earnings before interest, depreciation and amortization) for the past 24 months, net of minority interest in accordance with the financial statements of The Phoenix Agencies, and without taking into account various revenues and expenses agreed between the parties; (2) in the event of the issuance of The Phoenix Agencies' shares to the public, the call and put options will be canceled (Hagoz will be allowed to exercise part or all of the put option before such issuance).

- C. The agreement in principle includes other provisions, including, among other things: Reference to various events in The Phoenix Agencies, such as the introduction of another investor to The Phoenix Agencies; allocation of options by The Phoenix Agencies to officers in The Phoenix Group, including the Chairman of The Phoenix Agencies, and the manner of managing The Phoenix Agencies.

It should be noted that the above reflects principles that were approved; however, a full agreement has not yet been signed by the parties.

Subsequent to reporting period**Transfer of the construction projects' financing activity to a separate company wholly-owned by The Phoenix Insurance**

As from January 1, 2023, the construction projects' financing activity, which is funded solely by nostro funds, was separated from the activity of The Phoenix Insurance and transferred to a separate company wholly-owned by The Phoenix Insurance - The Phoenix Construction Finance Ltd. (hereinafter - the "Phoenix Construction Finance"). In this framework, the NIS 2.1 billion credit portfolio was transferred from The Phoenix Insurance to the Phoenix Construction Finance. The transfer of the credit portfolio will be carried out against an investment in the share capital in the new company (approx. 10%), and against a shareholders' loan. It should be noted that all exposure limits and regulatory provisions shall continue to apply in relation to the Phoenix Construction Finance, and that the Company's policy and procedures, as approved by the organs of The Phoenix Insurance shall continue to apply to the Phoenix Construction Finance, mutatis mutandis.

Regulation 13 - Income of Main Subsidiaries and Related Companies and Income of the Corporation Therefrom as of the Balance Sheet Date (in NIS thousand)

	Profit (loss) for the period (*)	Other comprehensive income (loss) for the period (*)	Comprehensive income (loss) for the period (*)	Dividend (**)	Management fees	Interest
<u>The Company's Subsidiaries and Related Companies</u>						
The Phoenix Insurance Company Ltd.	775,718	(132,565)	643,153	615,000	2,500	83,212
The Phoenix Investments and Finances Ltd.	226,631	262	226,157	-	500	2,001
The Phoenix Pension and Provident Fund Ltd	75,261	-	75,261	-	-	13,206
The Phoenix Insurance Agency 1989 Ltd.	158,911	2	158,913	-	-	-
The Phoenix Advanced Investments Ltd. (formerly - Halman Aldubi Investment House).	16,538	104	16,642	-	-	-
<u>Subsidiaries and Related Companies of The Phoenix Insurance Company Ltd.</u>						
Ad 120 Residence Centers for Senior Citizens Ltd.	8,990	-	8,990	-	-	511
Hadar Green Company Properties and Investments Ltd.	7,650	13,914	21,564	20,000	-	-
LRC	19,531	7,469	27,000	8,638	-	-
EL-AL FLY CARD	(9)	1,546	1,537	-	-	14,803
<u>Subsidiaries and Related Companies of The Phoenix Investments and Finances Ltd.</u>						
The Phoenix Investment House Ltd. (formerly - Excellence Investments)	95,000	-	95,000	22,000	3,155	929
Gama Management and Clearing Ltd.	62,196	1,218	63,414	12,600	-	2,308
<u>Subsidiaries and Related Companies of The Phoenix Insurance Agency 1989 Ltd.</u>						
Agam Leaderim Ltd.	99,961	345	100,306	119,612	1,531	-
Shekel Insurance Agency (2008) Ltd.	72,009	(321)	71,688	20,000	1,100	-
Oren Mizrach Insurance Agency Ltd.	20,111	-	20,111	9,222	-	5,538
<u>Subsidiaries and related companies of Excellence Investments Ltd.</u>						
ESOP Management and Trust Services Ltd.	13,215	-	13,215	10,328	-	266
Excellence Investment Management and Securities Ltd.	41,415	-	41,415	40,000	2,000	68
KSM ETN Holdings Ltd.	38,072	-	38,072	-	-	790

(*) Reflects the Company's share in the profits (losses) of the investee.

(**) Including distribution of a dividend in kind and excluding a dividend announced subsequent to the reporting date.

Regulation 14 - List of Classes of Loan Balances Granted as of December 31, 2022

Amount	Balance in NIS thousand	No. of borrowers
NIS 1-100 thousand	511,993	240,897
NIS 100-500 thousand	655,490	2,820
NIS 500-1,000 thousand	326,580	566
NIS 1,000-5,000 thousand	324,525	231
NIS 5,000-12,000 thousand	144,852	22
Over NIS 12,000 thousand	10,988,306	121

Regulation 20 - Trading on the TASE - Securities Listed for Trading - Dates and Reason for Delisting

Following are the Company's securities as recorded during the reporting period until the report's publication date:

Issuance of Series 6 bonds and early redemption of Bonds (Series 3)

In January 2022, the Company issued NIS 300 million par value in Series 6 registered bonds of NIS 1 par value each; the bonds were issued according to the Company's shelf offering report dated January 5, 2022 (Ref. No.: 2022-01-003042) in consideration for NIS 300,000 thousands. The Series 6 bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. The proceeds of the issuance were used by the Company to make a full early redemption of the Bonds (Series 3), in the total amount of NIS 283,770,005, which was made on January 18, 2022. For further details, see Note 27 to the Company's financial statements and immediate reports dated December 9, 2021, January 11, 2022 and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

Private placement of Series 4 Bonds

In September 2022, the Company's Board of Directors approved the private placement to investors who among the investors listed in the First Addendum to the Securities Law, 1968, of NIS 60 million par value of Series 4 registered Company Bonds of NIS 1 par value each, by way of series expansion; the bonds are listed on the Tel Aviv Stock Exchange Ltd. The bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd. For further details, please see the Bank's immediate report dated September 11, 2022 (Ref. No.: 2022-01-093804).

Subsequent to the reporting period:
Issuance of further Series 6 bonds by the Company by way of series expansion

In January 2023, subsequent to the report date, the Company issued - by way of expansion - further Series 6 bonds of up to NIS 172 par value; the bonds are registered bonds of NIS 1 par value each; they were issued according to the Company's shelf offering report dated January 26, 2023 (Ref. No.: 2023-01-003042) in consideration for NIS 150,000 thousands. The Series 6 bonds are rated ilAA- with a stable outlook by Ma'alot, and Aa2.il with a stable outlook by Midroog Ltd.

Regulation 21 - Compensation of Interested Parties and Senior Officers

Following is a breakdown of the compensation granted to interested parties and officers (in NIS thousand), as specified in the Sixth Schedule to the Securities Regulations (Periodic and Immediate Reports), 1970, and as recognized in the financial statements for the reporting year:

1. For each of the five highest paid senior executives of the Company or companies under its control (the compensation amounts are in NIS thousand and in terms of cost to the corporation, excluding payroll tax and VAT):
2. Each of the three highest paid senior executives in the Company not included in Paragraph 1 above.
3. Any interested party in the Company not listed in Paragraphs 1 and 2 above.

Details of compensation recipients					Compensation for services (1)					Total	Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (***)
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital	Salary (*)	Bonus (**)	Share-based payment	Management fees	Rent	Other		
Benjamin Gabbay (3)	Chairman of the Board of Directors of the Company and of subsidiary The Phoenix Insurance Company Ltd.	70%	0.02%	2,454	-	-	-	-	-	2,454	1,917
Eyal Ben Simon (4)	Chief Executive Officer of the Company of subsidiary The Phoenix Insurance Company Ltd.	Full-time	0%	2,416	445	884	-	-	-	3,744	3,490
Haggai Schreiber (5)	Executive VP, Chief Investment Officer of the Company and of The Phoenix Group	Full-time	0%	1,577	800	508	-	-	-	2,884	2,717
Eli Schwartz (6)	Executive Vice President, Chief Financial Officer of the Company and of The Phoenix Group	Full-time	0.01%	1,513	762	470	-	-	-	2,745	2,581
Ran Givon (8)	Chief Executive Officer of Cohen Givon Insurance Agency (1994) Ltd.	Full-time	0.07%	-	7,575	-	1,979	-	-	9,554	-
Yitzhak Oz (7)	Co-CEO of Agam Leaderim (Israel) Insurance Agency (2003) Ltd.	Full-time	0.09%	112	5,704	-	3,009	90	-	8,915	-

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

Details of compensation recipients					Compensation for services (1)					Total	Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (***)
Name	Title	Appointment percentage	Percentage of holding in corporation's share capital	Salary (*)	Bonus (**)	Share-based payment	Management fees	Rent	Other		
Stu Shapira (9)	Co-CEO of The Phoenix Capital Ltd.	Full-time	0%	132	6,853	-	-	-	-	6,985	-
Moni Feller (9)	Co-CEO of The Phoenix Capital Ltd.	Full-time	0%	132	6,853	-	-	-	-	6,985	-
Gil Duek (10)	Co-CEO of Tagmul Life Insurance Agency (2002) Ltd.	Full-time	0%	-	4,535	-	634	-	-	5,169	-
Asaf Prinz (10)	Co-CEO of Tagmul Life Insurance Agency (2002) Ltd.	Full-time	0%	-	4,535	-	634	-	-	5,169	-

(*) The salary includes a payment charged in accordance with the employment agreement that does not depend on targets and/or subject to discretion.

The salary shown in the above table constitutes 100% of the salary paid to the officer in respect of his functions in The Phoenix Group and does not constitute the salary paid by the Company alone.

(**) In 2020, the Company revised its Compensation Policy and the procedure for approval of bonuses thereunder, such that as from the reporting year, bonuses shall be approved prior to the report publication date; therefore, under this regulation, the bonus data that were taken into account were in respect of the reporting year, unlike in previous years, in which the bonus data taken into account were for the previous year.

(***) Compensation as defined in the Compensation for Officers in Financial Corporations Law (Special Approval and Non-Authorization of Expense for Tax Purposes due to Extraordinary Compensation), 2016. I.e., total compensation excluding contributions for severance pay and benefits (including permanent health insurance) pursuant to the law (or contributions to funds as a substitute for these components for those not employed as "employees") and excluding the employer's supplementary contributions for benefits accrued until the law's effective date.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

Comments regarding the data in the table:

1. The salary component includes all of the following components: monthly salary, social benefits, social security contributions and related benefits as is customary, and any income credited to the salary due to a component granted to the employee. The expense in respect of share-based payment is based on the valuation of the options as of the grant date, recorded as an expense in the Company's books of accounts in the reporting year.
2. All officers are entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.
3. Mr. Benjamin Gabbay has been serving as Chairman of the Board of Directors of the Company and The Phoenix Insurance since November 2019. For further details regarding Mr. Benjamin Gabbay's terms of employment, please see Note 41 to the Financial Statements. It should be noted that for the service of Benjamin Gabbay as chairperson of the Company's Board of Directors, he is entitled to annual compensation in accordance with the Companies Regulations (Rules for Compensation and Expenses for an External Director), 2000, and compensation for board of directors' meetings only, in accordance with these regulations.
4. Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of The Phoenix Insurance Company Ltd. since May 2019. For further details regarding Mr. Eyal Ben Simon's terms of employment, please see Note 41 to the Financial Statements.
5. Haggai Schreiber has been serving as Executive VP in The Phoenix Insurance and Chief Investment Officer in the Company and The Phoenix Group since December 2019 (hereinafter - "**Mr. Schreiber**"). Mr. Schreiber is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schreiber's employment with the Company, he will be entitled to a specified notice period of 4 months. During the specified notice period, Mr. Schreiber will be entitled to a salary, including all the benefits and related terms and conditions included in the agreement. Mr. Schreiber is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.
6. Mr. Eli Schwartz has been serving as the Company's and The Phoenix Insurance's Chief Financial Officer since August 2016, and since April 2017, he has been serving, additionally, as Deputy CEO of the Company and The Phoenix Insurance (hereinafter: "**Mr. Schwartz**"). Mr. Schwartz is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schwartz's employment with the Company, he will be entitled to a specified notice period of 3 months. During the specified notice period, Mr. Schwartz will be entitled to a salary, including all the benefits and related terms and conditions included in the agreement. Mr. Schwartz is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.
7. Mr. Yitzhak Oz serves as Co-CEO of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam**"). Mr. Yitzhak Oz holds 34% of the share capital of Agam Leaderim Holdings (2001) Ltd., which is the controlling shareholder of Agam. The management fees and bonus listed in connection with Mr. Yitzhak Oz are management fees paid to NAR Holdings Ltd. (hereinafter - "**Oz**"), a privately-held company wholly owned by Yitzhak Oz. The management fee includes a fixed management fee of approximately NIS 240 thousand linked to the consumer price index for November 2019. The bonus to which Mr. Yitzhak Oz is entitled is an annual bonus derived from the joint profits of Agam Holdings and Agam Israel (hereinafter - "**Profit in respect of the Bonus**"). The annual bonus is 12.7% of the Profit in respect of the Bonus that is in excess of NIS 50 million, provided that the total annual amount of the monthly management fees and bonus does not exceed NIS 8.13 million plus VAT (excluding rent and the abovementioned salary component); the amount is linked to the "in lieu CPI" for September 2019.

Regulation 21 - Compensation of Interested Parties and Senior Officers (cont.)

8. Adv. Ran Givon (hereinafter - "**Givon**") serves as CEO of Cohen Givon Insurance Agency (1994) Ltd. (hereinafter - the "**Agency**"). Givon holds 48% of the Agency's share capital. According to the management agreement between the Agency and Givon, the latter will serve as the Agency's CEO with the total monthly cost of his salary to the Company being approximately NIS 124 thousand, linked to the consumer price index, with the base index being for September 2019. In addition to his salary, Givon is entitled to an annual, performance-based bonus to which Mr. Givon is entitled is 40% of the annual profit before tax and before management fees, less a total of NIS 2 million linked to the consumer price index, with the base index being for January 2003.
9. Mr. Moni Gil Feller and Mr. Stuart Shapira (hereinafter - the "**Managers**") serve as Co-CEOs of The Phoenix Capital Ltd. (hereinafter - "**Capital**"), which develops and manages investment funds. The Managers jointly hold, indirectly (through Safra Consulting and Investment Company Ltd.) (hereinafter - "**Safra**"), 35% of the share capital of Capital, with an additional 65% of the share capital of Capital held by The Phoenix Investments and Finances Ltd.; the Managers are entitled - through Safra - to the Company's profits - ranging between 35% and 40% - depending on Capital's performance. In addition, each of the Managers is entitled to a salary for his work in Capital in the amount of NIS 4,000 per month. In addition, the Managers, through Saifa Management Services (2013) Ltd. (hereinafter - "**Saifa**"), are partners of The Phoenix Insurance in FNX Private, a unit which provides investment solutions and financial services to customers with self-directed policies and provident funds. The Managers - through Saifa - are entitled to 50% of profits of the abovementioned operation. In addition, each of the Managers is entitled to a salary for his work in The Phoenix Insurance in the amount of NIS 4,000 per month.
10. Mr. Gil Duek and Mr. Asaf Prinz (hereinafter: the "**Managers**") serve as Co-CEOs of Tagmul Life Insurance Agency (2002) Ltd. (hereinafter: "**Tagmul**"), of which, sub-subsidiary Agam Leaderim Holdings, which is controlled by the Company, holds 95%. The Managers hold 2.5% each of Tagmul's share capital. According to the management agreement between Tagmul and the Managers, the total monthly cost of each Manager's salary is NIS 48,000, unlinked. In addition to their salary, the CEOs are entitled to an annual performance-based bonus, equal to 2.5% each, out of the annual profit before tax, and to an additional 12.5% bonus on the remaining annual profit before tax (hereinafter: the "**Bonus**"). In addition, the Managers have an option to purchase some of Tagmul's shares, for the consideration set forth in the agreement the parties signed. If the Managers exercise the option, they will no longer be entitled to the Bonus.

Following is a breakdown of the directors' compensation:

In 2022, the Company paid its directors for their service on the Company's Board of Directors a total of approximately NIS 2,927 thousand (the amounts do not include payroll tax or VAT). The compensation given to the directors of the Company, classified as expert directors, is the maximum compensation allowed in accordance with Regulations 1A - 1B of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (hereinafter - the "**Relief Regulations**") and Regulations 5A and 7 of the Companies Regulations (Rules regarding Compensation and Expenses for External Directors), 2000.

No compensation was granted to the officers subsequent to the reporting year and prior to the reporting date in connection with their service or employment in the reporting year which were not recognized in the financial statements for 2022.

Regulation 21A - Control of the corporation

The controlling shareholders of the Company are Belenus Lux S.a.r.l jointly with Leolin Lux S.a.r.l, which is a sister company of Belenus (hereinafter - "**Belenus**"), held by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "**Funds**"). As of the report date, Belenus holds approximately 33.1% of the Company's issued and paid-up share capital.

On December 13, 2022, Belenus informed the Company that the entities that have an indirect control therein signed a non-binding memorandum of understanding that includes the key terms whereby a consortium composed of ADQ Developmental Holding LLC, Gallatin and other investors will acquire the controlling core in the Company through a joint corporation that will be established. For further details, please see the Company's report dated December 13, 2022 (Ref. No.: 2022-01-150541).

Regulation 22 - Transactions with controlling shareholders or in which a controlling shareholder has a vested interest

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the law and the Company's procedures. In August 2008, the Securities Regulations Amendment (Periodic and Immediate Reports), 1970 came into force (hereinafter - the "**Securities Regulations**"). Pursuant to the amendment, the Company's Board of Directors decided to adopt, for the first time, a negligibility threshold as set out in the Securities Regulations in connection with controlling shareholder transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

- A. It is not an extraordinary transaction (as the term is defined in the Companies Law).
- B. Its effect on the relevant parameter is less than one percent (1%).

For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event.

For further details regarding the Company's policy on negligible transactions, please see Note 42 to the Company's Financial Statements.

Additionally, as of the report publication date, the Company or its related companies have no engagements with Belenus or the Funds.

Regulation 22 - Transactions with controlling shareholders or in which a controlling shareholder has a vested interest (cont.)

Transactions listed in Section 270(4) of the Companies Law

Insurance policy, exemption and indemnification letters for board members and officers

Insurance, exemption and indemnification for officers

- A. In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "**General Meeting**"), approved, among other things:
1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.
 2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.
 3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.
- B. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further information, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).
- C. In November 2022, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000, the Company's Compensation Committee approved the Company's agreement for the liability insurance policy for officers in the Company and subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period beginning on November 3, 2022.

It shall be clarified that, as of the report publication date, the Company or its related companies have no engagements with Belenus or the Funds.

Regulation 24 - Shares and Other Securities Held by Interested Parties and Senior Officers in the Corporation, Subsidiary or Related Company, as Close as Possible to the Report Date, to the Best of the Corporation's Knowledge

For details regarding holdings of interested parties and senior officers in the Company's shares and other securities as close as possible to the report date, please see the Company's immediate report dated January 5, 2023 (Ref. No.: 2023-01-004269).

Dormant shares of the corporation held by the corporation or a subsidiary of the corporation:

	The Phoenix Shares NIS 1 p.v.	Total no. of shares	Holding rate - voting rights and authority to appoint directors	Holding rate - equity	Holding rate - equity (fully diluted)	Holding rate - voting rights and authority to appoint directors (fully diluted)
The Phoenix Holdings Ltd. (dormant shares)	5,569,301	5,569,301	0%	0%	0%	0%
The Phoenix Investments and Finances (Dormant voting shares)	31	31	0%	0%	0%	0%

Regulation 24A – Registered Capital, Issued Capital and Convertible Securities of the Corporation

The registered capital of the Company immediately prior to the report publication date is NIS 300,000,000, composed of 300,000,000 shares of NIS 1 par value each. The issued capital of the Company is NIS 257,946,001, composed of 257,946,001 ordinary shares of NIS 1 par value each.

The number of dormant shares of the Company that do not confer voting rights is 31 ordinary shares of NIS 1 par value each. In addition, the number of dormant shares of the Company that do not confer any rights is 5,569,301 ordinary shares of NIS 1 par value each.

The Company's issued capital less the dormant shares that do not confer voting rights is 252,376,669 ordinary shares of NIS 1 par value each.

The Company's issued capital less the dormant shares that do not confer any rights is 252,376,700 ordinary shares of NIS 1 par value each.

In addition, in accordance with the options plan for officers and employees of the Company and The Phoenix Group, immediately prior to the report publication date, the convertible securities issued by the Corporation include 13,510,139 options of The Phoenix Up Employees Security No. 7670235.¹ For further details regarding the Company's securities that were listed for trading during the reporting period, please see Regulation 20 above.

Regulation 24B – The Corporation's Shareholder Register

For the most recent register of the Company's shareholders, please see the immediate report dated March 2, 2023 (Ref. No. 2023-01-019609), which is included herein by way of reference.

Regulation 25A – Registered Address of the Corporation

The registered address of the Corporation is 53 Derech Hashalom Street, Givatayim. Tel.: +972-3-7332997. Fax.: +972-3-5734516
E-MAIL: menin@fnx.co.il

¹ For further information about the plan and additional grants made under it, see the immediate reports of December 27, 2018 (Ref. No.: 2018-01-119905) and February 3, 2019 (Ref. No.: 2019-01-009838); May 1, 2019 (Ref. No.: 2019-01-037938), May 6, 2019 (Ref. No.: 2019-01-039360), October 31, 2019 (Ref. No.: 2019-01-107011), November 28, 2019 (Ref. No.: 2019-01-116347), October 11, 2020 (Ref. No.: 2020-01-011061), and October 27, 2020 (Ref. No.: 2020-01-107788); May 27, 2021, July 6, 2021, and July 8, 2021 (Ref. Nos.: 2021-01-031390, 2021-01-048694 and 2021-01-050455, respectively); and February 1, 2022 and March 9, 2022 (Ref. Nos.: 2022-01-012513 and 2022-01-028288, respectively).

Regulation 26 - The Corporation's Directors

1)	Name	-	Benjamin Gabbay, ID No. 022973606 (Chairman of the Board)
2)	Date of birth	-	March 16, 1967
3)	Address	-	Omri 24A, Tel Aviv
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	ESG Committee
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Yes. Chairman of the Board of Directors of the Company and Chairman of the Board of The Phoenix Insurance Ltd.
8)	The date on which he began his term as a director	-	November 3, 2019.
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. in Accounting and Economics and L.L.M from Tel Aviv University. <u>Current occupation</u> - Co-CEO of Universal Transportation Solutions Ltd. and CEO of Universal Motors Israel Ltd. Previously: Partner in Kost Forer Gabbay & Kasierer, provided consulting services in B.G.N.Y. Management Services Ltd. and CEO of Eliyahu Issues Ltd. <u>Corporations in which he serves as a director:</u> The Phoenix Insurance Company Ltd.: Chairman, member of the Nostro Investments Committee, member of the Risk Management Committee, member of the IT Committee, and member of the ESG Committee; B.G.N.Y. Management Services Ltd.; the Advancement of Education in Israel Fund Founded by the Iraqi Jews Educational Fund in Israel Ltd. (Public Benefit Company); UTS Universal Transportation Solutions Ltd. (Chairman); Universal Trucks Israel Ltd.; and Office 3000 Ltd.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Roger Abravanel, Passport No. YA3660247
2)	Date of birth	-	July 27, 1946
3)	Address	-	Rue Des Melezes Crans Montana Switzerland
4)	Citizenship	-	Italian
5)	Membership in Board committees	-	Strategy Committee, ESG.
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.Sc in Chemical Engineering from Polytechnic Milan and MBA from INSEAD. <u>Occupation</u> - director as described below. <u>Corporations in which he serves as a director</u>: The Phoenix Insurance Company Ltd.: Chairman of the Strategy Committee and Chairman of the ESG Committee; Mckinsey & Co. (Director Emeritus); Caesarstone Ltd; BNL/BNP; Genenta (NASDAQ). Formerly: LUXOTTICA, Pianoforte holdings, Admiral, Teva, Esselunga, Cofide.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes
-
1)	Name	-	Itzhak Shukrie (Zhak) Cohen, ID No. 23949508
2)	Date of birth	-	May 2, 1984
3)	Address	-	660 Steamboat Rd, Greenwich, CT 06830 U.S.A
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	No.
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Investment Manager at Gallatin Point LLC (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	November 3, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. in Art from Brandeis University Waltham, and L.L.M. from the University of Pennsylvania Law School. <u>Occupation</u>: Executive Director of Gallatin Point LLC. <u>Corporations in which he serves as a director</u>: The Phoenix Insurance Company Ltd.: Director, member of the Risk Management Committee.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Regulation 26 - The Corporation's Directors (cont.)

1) Name	- Stella (Amar) Cohen, Identity No. 341286003²
2) Date of birth	- 12.9.1980
3) Address	- Shalva 105, Herzliya
4) Citizenship	- Israeli, American and French
5) Membership in Board committees	- Financial Statements Review Committee, Strategy and ESG Committee.
6) ED	- No
7) Is she an employee of the Company, a subsidiary, a related company or an interested party	- A director of The Phoenix Insurance Company Ltd. and a member of various committees.
8) The date on which she began her term as a director	- August 24, 2022
9) Education and occupation in the past five years and a list of the corporations in which she serves as a director	- <u>Education</u> : Master of Law (LL.M.) Columbia University (New York, USA) & Juris Doctor (J.D.), University Pantheon Assas (Paris, France) & Master of Arts (M.A.), Institute of Political Sciences (Paris, France) & Master of Sciences, University Paris Dauphine (Paris, France). <u>Corporations in which she serves as a director</u> : Co-Head of Private Equity for Europe, Middle East and Asia, J. Safra GROUP (J. SAFRA SARASIN ASSET MANAGEMENT); Finans2 Kapital, Chairman of the Board; Food Delivery Brand, Director, ZOLVA GROUP (member of the investment committee), USI INSURANCE - director and chair of the audit committee, Sedgwick INC, Director-Observer.
10) Is she a relative of another interested party in the Company	- No
11) Does she have accounting and financial skills or professional qualifications	- Yes

1) Name	- Dr. Ehud Shapira, ID No. 008370991
2) Date of birth	- October 5, 1944
3) Address	- Belkind 1, Tel Aviv
4) Citizenship	- Israeli
5) Membership in Board committees	- Chairperson of the Audit Committee, Chairperson Compensation Committee, Strategy Committee and the Financial Statements Review Committee.
6) ED	- No, an independent director.
7) Is he an employee of the Company, a subsidiary, a related company or of an interested party	- No.
8) The date on which he began his term as a director	- November 7, 2019.
9) Education and occupation in the past five years and a list of the corporations in which he serves as a director	- <u>Education</u> - B.Sc in Economics and Statistics from Tel Aviv University, M.Sc in Economics and Performance Research from the Technion, M.Sc. in Economics and Ph.D in Economics and Finance - from New York University. <u>Occupation</u> - director of various companies, as detailed below. <u>Corporations in which he serves as a director</u> - The Phoenix Holdings Ltd., Samelet Motors Ltd., Samelet Financing Ltd., Birad - Research and Development Company Ltd., and Dr. Ehud Shapira Management Ltd. Previously - Psagot Investment House Ltd. (Chairman and board member).
10) Is he a relative of another interested party in the Company	- No
11) Does he have accounting and financial skills or professional qualifications	- Yes

² Ms. Stella Cohen was appointed as a director, and replaced Ms. Marilyn Hirsch, whose term in office had ended in August 2022. For more information about Ms. Marilyn Hirsch, see the Company's 2021 financial report.

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Ben Carlton Langworthy, Passport No. 565490779
2)	Date of birth	-	August 12, 1978
3)	Address	-	Centerbridge Partners Europe, LLP 10 New Burlington Street, 2nd Floor, London, W1S 3BE
4)	Citizenship	-	American
5)	Membership in Board committees	-	No
6)	ED	-	No
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Managing Director of Centerbridge Partners Europe LLP (one of the Company's controlling shareholders).
8)	The date on which he began his term as a director	-	December 12, 2019
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - B.A. in Economics from Yale University and MBA from Harvard Business School. <u>Occupation</u> : Managing Director at Centerbridge Partners Europe LLP. <u>Corporations in which he serves as a director</u> - Fortuna Holdings Limited, The Phoenix Holdings, Fortuna Topco Limited, Auxmoney Europe Holding Limited.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes
-
1)	Name	-	Richard Kaplan, ID 011176500
2)	Date of birth	-	August 26, 1955
3)	Address	-	63 Levi Eshkol Street, Tel Aviv
4)	Citizenship	-	Israeli and American
5)	Membership in Board committees	-	Member of the Audit Committee, Compensation Committee, and the Financial Statements Review Committee.
6)	ED	-	Yes
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	Serves as Chairman of The Phoenix Insurance Company's IT Committee.
8)	The date on which he began his term as a director	-	February 24, 2020
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> : Bachelor of Science in Mechanical Engineering from Brown University. Doctor of Law, Cornell University. <u>Occupation</u> : serves as a director of the companies listed below and as a partner in MizMaa Ventures. Formerly: GM IBM Israel, VP IBM Business Development. <u>The corporations in which he serves as a director</u> : R.E. Kaplan 22 Consulting Ltd., QEDIT Systems Ltd., AFI Properties Ltd.; Decentralized Mobile Applications Ltd.; Resolution Games AB, (Sweden) Org. NR 559009-9199, Qedit Systems Ltd. (Israel) 515485274, Decentralized Mobile Applications (DBA PayKey) (Israel) 515133734, Loadmill Ltd. (Israel) 515682599, 8e14 Networks Inc (DBA Ananda Networks) (Delaware Corp.) EIN 83-1206991. Formerly: Bank Hapoalim Ltd.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Has professional qualifications

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Rachel (Rucha) Levine, ID No. 022216329
2)	Date of birth	-	December 9, 1965
3)	Address	-	Yeffe Nof 3, Givatayim
4)	Citizenship	-	Israeli
	Membership in Board committees	-	Member of the Audit Committee and the Compensation Committee, Chair of the Financial Statements Review Committee, and member of the Nostro Investments Committee.
5)			
6)	ED	-	Yes
	Is she an employee of the Company, a subsidiary, a related company or an interested party	-	No.
7)			
8)	The date on which she began her term as a director	-	February 24, 2020
9)	Education and occupation in the past five years and a list of the corporations in which she serves as a director	-	<u>Education</u> - BA in Business with specialization in Accounting - College of Management, Tel Aviv. MBA from Kellogg School of Management, Northwestern University, Chicago. CPA license <u>Occupation</u>: serves as a director in the companies listed below, and as a professional consultant to companies in the real estate and renewable energy fields. <u>The corporations in which she serves as a director</u>: AFI Properties Ltd.; Veridis Environment Ltd.; Deputy Chairwoman of the Tidhar Group Ltd. Board of Directors; and a director of subsidiaries in Tidhar Group Ltd. Formerly: External Director of Infinya Ltd., CEO and Chairwoman of the Gazit Globe Israel Ltd. Board of Directors; Director of the Finnish Gazit Globe Company Citycon; Deputy Chairwoman of Atrium European Real Estate Ltd.; CEO and Director of Gazit Globe Ltd.
10)	Is she a relative of another interested party in the Company	-	No
11)	Does she have accounting and financial skills or professional qualifications	-	Yes.

Regulation 26 - The Corporation's Directors (cont.)

1)	Name	-	Eliezer Yones, ID No. 050934637
2)	Date of birth	-	October 7, 1951
3)	Address	-	Jabotinsky 60A, Tel Aviv.
4)	Citizenship	-	Israeli
5)	Membership in Board committees	-	Chairman of the Strategy Committee.
6)	ED	-	No.
7)	Is he an employee of the Company, a subsidiary, a related company or of an interested party	-	No.
8)	The date on which he began his term as a director	-	April 22, 2020
9)	Education and occupation in the past five years and a list of the corporations in which he serves as a director	-	<u>Education</u> - BA in Economics and Sociology - The Hebrew University, Jerusalem. MBA from The Hebrew University, Jerusalem. <u>Occupation</u> - provides private consulting and mediation services. <u>Corporations in which he serves as a director:</u> The Phoenix Insurance Company Ltd.: Director, Chairman of the Strategy Committee; E.H. Yones (1999) Ltd.; Yones & MSHP Investments Ltd.; HaBrosh 18 Ltd.; and family investment management.
10)	Is he a relative of another interested party in the Company	-	No
11)	Does he have accounting and financial skills or professional qualifications	-	Yes

Directors who ceased to serve in the Company during the reporting period

On August 4, 2022, Ms. Marilyn Hirsch vacated her position as a director of the Company. For further details about the end of her term, please see the immediate report dated August 4, 2022 (Ref. No.: 2022-01-080859).

Regulation 26A - Officers in the Corporation

1. Name - **Eyal Ben Simon, ID No. 025173782**
2. Date of birth - March 12, 1973
3. Position in the Company - The Company's CEO.
4. Position in a subsidiary of the Company or an interested party therein - The Company's CEO. CEO of subsidiary company The Phoenix Insurance Company Ltd.; director of Phoenix Group companies, of which, the main ones are: Director of private companies directly and indirectly controlled by The Phoenix Holdings Ltd., of which, the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Investment House Ltd. (Excellence Investments Ltd.); The Phoenix Capital Raising (2009) Ltd.; Gama Management and Clearing Ltd.; The Phoenix Insurance Agency 1989 Ltd., and subsidiaries. In addition, he serves as a member of The Phoenix Insurance Company Ltd. Nostro Investments Committee and as a director of the Association of Life Insurance Companies of Israel Ltd.
5. Is he a relative of another senior officer or of an interested party - No
6. The officer's education and business experience in the past five years - Education - B.A. in Economics and Accounting and MBA (Finance) from the Hebrew University of Jerusalem, CPA.
Business experience - CEO of the Company and CEO of The Phoenix Insurance Company Ltd.
Formerly - Executive Vice President of The Phoenix - Head of Property and Casualty Insurance and Claims.
7. The date on which he began his term - November 7, 2019

1. Name - **Haggai Schreiber, ID No. 037626546**
2. Date of birth - August 15, 1975
3. Position in the Company - Executive Vice President, the Company's Chief Investment Officer.
4. Position in a subsidiary of the Company or an interested party therein - Executive Vice President, Chief Investment Officer of the following the Phoenix Group companies: The Phoenix Insurance Company Ltd., The Phoenix Pension and Provident Fund Ltd. CEO of The Phoenix Investments and Finances Ltd. and The Phoenix Capital Raising (2009) Ltd. Director of companies in The Phoenix Group, the main one being The Phoenix Investment House Ltd. (Excellence Investments Ltd.).
5. Is he a relative of another senior officer or of an interested party - No
6. The officer's education and business experience in the past five years - Education - B.A. in Economics and M.A in Finance and Accounting, Tel Aviv University.
Business experience: CEO of The Phoenix Investments and Finances Ltd. and Chief Investment Officer of The Phoenix Group.
Previously - manager of planholders' funds, manager of the nostro portfolio and international markets strategist at The Phoenix Investments and Finances Ltd.
7. The date on which he began his term - December 5, 2019

Regulation 26A - Officers in the Corporation (cont.)

1.	Name	-	Eli Schwartz, ID no. 032315517
2.	Date of birth	-	June 10, 1975
3.	Position in the Company	-	EVP, Chief Financial Officer.
4.	Position in a subsidiary of the Company or an interested party therein	-	Deputy CEO, CFO of the subsidiary The Phoenix Insurance Company Ltd. and other companies in the Phoenix Group; Director of The Phoenix Group companies, of which the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Pension and Provident Fund Ltd., The Phoenix Investment House Ltd. (Excellence Investments Ltd.), The Phoenix Capital Raising (2009) Ltd., The Phoenix Insurance Agency 1989 Ltd., The Phoenix Mortgages (Gold) Ltd., The Phoenix Advanced Investments Ltd., and several other agencies and companies held by The Phoenix. In addition, he serves as a member of the Nostro Investment Committee at The Phoenix Insurance Company Ltd.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - CPA, B.A. in Accounting and Economics from Ben Gurion University of the Negev and MBA (major in Finance) from Bar Ilan University. <u>Business experience</u> - CFO at the Company and at The Phoenix Insurance Company Ltd. Previously: Investment controller and CFO of subsidiaries of The Phoenix Group, Head of Enterprise Applications in the IT Division of The Phoenix Insurance.
7.	The date on which he began his term	-	August 15, 2016.
-
1.	Name	-	Amit Netanel, ID No. 028722213
2.	Date of birth	-	June 2, 1971
3.	Position in the Company	-	VP Chief Risk Officer.
4.	Position in a subsidiary of the Company or an interested party therein	-	Chief Risk Officer at the Company and subsidiaries of The Phoenix Group.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - Economics and Management, Open University; M.A. in Finance - Accounting, Tel Aviv University. <u>Business experience</u> - Chief Risk Officer at the Company and at The Phoenix Insurance Company Ltd.
7.	The date on which he began his term	-	September 24, 2012

Regulation 26A - Officers in the Corporation (cont.)

1.	Name	-	Menachem (Meni) Neeman, ID No. 028017523
2.	Date of birth	-	August 25, 1970
3.	Position in the Company	-	Executive Vice President, Chief Legal Counsel and Company's Secretary.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive Vice President, Chief Legal Counsel and Company's Secretary. In addition, he serves as a director of The Phoenix Group companies, of which, the main ones are: The Phoenix Investments and Finances Ltd., The Phoenix Advanced Investments Ltd., The Phoenix Pension and Provident Fund Ltd., Gama Management and Clearing Ltd., The Phoenix Investment House Ltd. (Excellence Investments Ltd.), Chairman of ESOP Management and Trust Services Ltd., Ad 120 Residence for Senior Citizens Ltd. and other companies in the Ad 120 Group. In addition, he serves in the Association of Life Insurance Companies of Israel Ltd. and is a member of Bar Ilan University's Executive Committee.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - Adv. LL.B with honors and LL.M from Bar Ilan University. <u>Employment experience</u> - Chief Legal Counsel and Secretary of the Company and The Phoenix Insurance Company Ltd.
7.	The date on which he began his term	-	August 1, 2015
-
1.	Name	-	Michal Leshem, ID No. 027862721
2.	Date of birth	-	July 30, 1970
3.	Position in the Company	-	Chief Internal Auditor.
4.	Position in a subsidiary of the Company or an interested party therein	-	Chief Internal Auditor at The Phoenix Insurance Company Ltd. and several other companies in The Phoenix Group.
5.	Is she a relative of another senior officer or of an interested party	-	No
6.	Education and business experience over the past five years	-	<u>Education</u> - CPA, B.A in Business Administration and Accounting, College of Management; <u>Business experience</u> - Chief Internal Auditor at The Phoenix Insurance Company Ltd. and other companies in The Phoenix Group and ED in Assuta. Previously: Chief Financial Officer in the Paz Group, Chief Internal Auditor in the Migdal Group, ED at Matrix ET Ltd., and ED at weSure Ltd.
7.	The date on which he began his term	-	September 1, 2020

Regulation 26A - Officers in the Corporation (cont.)

1.	Name	-	Eilon Dachbash, ID No. 034396648
2.	Date of birth	-	September 17, 1977
3.	Position in the Company	-	Executive VP, Retail Credit Director.
4.	Position in a subsidiary of the Company or an interested party therein	-	Executive VP, Retail Credit Director.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> - Computer Sciences (B.A.) from the College of Management, Licensed Investment Advisor. <u>Professional experience</u> : serves as a director of several companies in The Phoenix Group. Formerly: Executive VP, member of the Board of Directors - head of the Banking Division, Bank Leumi; director in Pepper Platform Ltd.
7.	The date on which he began his term	-	January 16, 2022.

1.	Name	-	David Alexander, ID 014690952
2.	Date of birth	-	June 24, 1972
3.	Position in the Company	-	Deputy CEO, Business Development Manager.
4.	Position in a subsidiary of the Company or an interested party therein	-	Deputy CEO, Business Development Manager.
5.	Is he a relative of another senior officer or of an interested party	-	No
6.	The officer's education and business experience in the past five years	-	<u>Education</u> : B.S. in Mathematics from MIT; M.A. in Political Science from Columbia University; J.D. in Law from Columbia University. <u>Professional Experience</u> : Manager, VNS Capital Ltd.
7.	The date on which he began his term	-	September 1, 2021.

Officers who ceased to serve during the reporting period

In the reporting year, no officers ended their term.

Regulation 26B - Authorized Signatory of the Corporation

The Corporation does not have independent signatories.

Regulation 27 - The Company's Independent Auditor

Kost Forer Gabbay & Kasierer, 144 Menachem Begin Road, Tel Aviv.

Regulation 28 - Change in the Memorandum or Articles of Association of the Corporation

On March 8, 2023, the Company held an extraordinary meeting whose agenda included, among other things, the adoption of amendments to the Company's articles of association. For further details, please see the Company's immediate reports dated November 30, 2022, and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively). For the Company's current articles of Association, see the January 8, 2023 immediate report (Ref. No. 2023-01-003562).

Regulation 29 - Recommendations and Resolutions of the Board of Directors

The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting regarding:

1. Dividend payment (final and interim) and distribution of bonus shares:

In April 2022, the Company distributed a final dividend in the amount of NIS 421 million, representing a dividend of NIS 1.67 per share.

In August 2022, the Company distributed an interim dividend on account of the Company's profits for 2022, in the amount of NIS 160 million (hereinafter - the "**Interim Dividend**").

Subsequent to the reporting date, on March 22, 2022, alongside the approval of the Company's financial statements as at December 31, 2021, which are included in this Periodic Report, the Company's Board of Directors resolved to distribute a final dividend of NIS 177 million in accordance with the dividend distribution policy. The total dividend distributed for 2022, including the Interim Dividend, is NIS 337 million, representing a dividend of NIS 1.3 per share.

2. Changes in the registered or issued share capital of the corporation:

For details regarding changes in the registered or issued share capital of the corporation, please see Regulation 20 to this report.

3. Change in the memorandum or articles of association of the corporation:

There was no change in the reporting year.

4. Redemption of shares:

None

5. Early redemption of bonds:

On January 16, 2022, the Company's Bonds (Series 3) were delisted due to full early redemption of the principal balance and outstanding Bonds (Series 3) (and the interest thereon). For further information, see the Company's immediate reports of December 9, 2021, January 11, 2022, and January 18, 2022 (Ref. Nos.: 2021-01-107986, 2022-01-005313 and 2022-01-008097).

6. (a) **A transaction that is not in accordance with market conditions between the corporation and an interested party therein:** None
- (b) **Resolutions of the General Meeting in the matters listed above that were made other than in accordance with the recommendations of the Board of Directors:** None
- (c) **Resolutions by Extraordinary General Meeting:**

General meeting of March 8, 2022

On March 8, 2022, the general meeting approved the allocation of unlisted options to the Company's CEO, exercisable for up to 90,000 shares of NIS 1 par value each of the Company, representing 0.04% of the issued and paid-up share capital of the Company. For further details concerning the Meeting of the Company, please see the Company's immediate report dated February 1, 2021 (Ref. No. 2022-01-012513).

Regulation 29 - Recommendations and Resolutions of the Board of Directors (cont.)

Subsequent to reporting period

General meeting of January 8, 2023

An extraordinary meeting of the Company was held on January 8, 2023; the following items were on the agenda of the meeting: 1) Revision of the Company's compensation policy; 2) adoption of amendments to the Company's Articles of Association. For further details, please see the Company's immediate reports dated November 30, 2022 and January 8, 2023 (Ref. Nos.: 2022-01-115548 and 2023-01-003559, respectively).

General meeting of March 8, 2023

An extraordinary meeting of the Company was held on March 8, 2023, which discussed the appointment of Ms. Rachel Lavine for another term in office as an external director. For further details, please see the Company's immediate reports dated February 16, 2023 and March 8, 2023 (Ref. Nos.: 2023-01-015454 and 2023-01-020875, respectively).

Corporate Resolutions

1. Approval of transactions under Section 255 to the Companies Law: None.
2. Transaction under Section 254(a) to the Companies Law which has not been approved: None.
3. Exemption from insurance or commitment for indemnification, for an officer effective as of the reporting date:

Under the Company's compensation policy, directors, senior officers and other key officers shall be entitled to exemption and indemnification insurance, subject to the approvals required by law. For further details, please see Regulation 22 above.

Date: March 22, 2023.

Names of the signatories

Eyal Ben Simon - **Chief Executive Officer**

Eli Schwartz - **EVP, Chief Financial Officer**

Corporate Governance Questionnaire

CORPORATE GOVERNANCE QUESTIONNAIRE OF THE PHOENIX HOLDINGS LTD.¹

THE BOARD OF DIRECTORS' INDEPENDENCE

		Yes	No
1.	Each reporting year, there were at least two external directors in the corporation. The question may be answered "yes" if the period during which the corporation had less than two external directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law. However, any answer (yes or no) must include the length of the period (number of days) in which there were less than two external directors serving during the reporting period (including if the tenure was approved retroactively, for each of the different external directors): Director A: <u>Rachel Levin</u>. Director B: <u>Dr. Ehud Shapira (independent director)</u>. Director C: <u>Richard Kaplan</u>.² Number of External Directors serving at the corporation as of the date of the publication of this questionnaire: <u>2</u>.	✓	

¹ Published on March 16, 2014, as part of legislative proposals for improvement of reporting.

² On January 4, 2022, Richard (Rick) Kaplan was appointed external director of the Company, succeeding Mr. Zohar Tal, who served as an external director and completed a 3-year term in the Company on December 31, 2021.

			Yes	No
2.		Proportion ³ of independent directors ⁴ serving in the corporation as of the questionnaire's publication date: <u>3/9</u> . The proportion of Independent Directors in the corporation's ⁵ Articles of Association: ⁶ _____. ☒ N/A (no provision has been made in the Articles of Association).	_____	_____
3.		In the reporting year, the Bank held checks and found that during the reporting period its external directors (and independent directors) fulfilled the provisions of Section 240(b) and (f) to the Companies Law requiring external directors (and independent directors) not to have an interest in the corporation or its controlling shareholder, and the conditions for service as external directors (or independent directors).	✓	
4.		None of the directors who served in the corporation during the reporting year are not subordinate to the President and CEO ⁷ , either directly or indirectly (inapplicable to a director who serves as a representative of the employees, if such representation exists in the corporation). If your answer is "No" (i.e., the director reports to the CEO as aforesaid) - please indicate the proportion of directors who did not meet the said restriction: _____.	✓	
5.		None of the directors who have reported having a vested interest in the approval of a transaction on a meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law: If your answer is "No" - Was this for the purpose of presenting a specific issue by that director in accordance with the provision of Section 278(A):	✓	

³ In this questionnaire, "proportion" is a certain number out of the total. For example - 3/8.

⁴ Including "External Directors" within the meaning thereof in the Companies Law.

⁵ Regarding this question - "Articles of Association" include a specific legal provision applicable to the corporation (for example, in a banking corporation - directives issued by the Banking Supervision Department).

⁶ Bonds companies are exempt from answering this section.

⁷ For this question - serving as a director in an investee corporation under the Corporation's control shall not be deemed "subordination"; on the other hand, if a director in the Corporation also serves as an officer (excluding as director) and/or is an employee of an investee corporation under the Corporation's control, they shall be deemed "subordinate" for the purpose of this question.

		Yes	No
	☐ Yes ☐ No (please check the appropriate box). It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: _____.		
6.	The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the Corporation was not present in the meetings of the Board of Directors held during the reporting year. If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the Corporation was present in the Board of Directors' meetings as aforesaid: Name: Lewis (Lee) Sachs. Position in the corporation (if any): one of the controlling shareholders of the Gallatin Fund (50%), which jointly holds, with the Centerbridge Fund (Gallatin - 30%, Centerbridge - 70%), indirectly, 33.32% of the Company. Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): _____. Was this for the purpose of presenting a specific issue: X Yes No (please check the appropriate box). The proportion ⁸ of Board meetings in which he/she participated during the reporting year for the purpose of presenting a specific issue: 5%, otherwise present: 5% ☐N/A (the corporation has no controlling shareholder).		✓

THE DIRECTORS' COMPETENCY AND QUALIFICATIONS

⁸ Specify separately for each of the controlling shareholders, relative and/or representative.

			Yes	No
7.		The Corporation's Articles of Association do not contain a provision restricting the possibility of immediately terminating the tenure of all directors of the Corporation who are not External Directors (for this purpose - a simple majority does not constitute a restriction).⁹ If your answer is "No" (i.e., if there is a restriction as aforesaid), please indicate -		✓
	a.	The period prescribed for a director's tenure by the Articles of Association: <u>two years.</u>		
	b.	The majority required to terminate the tenure of directors by the Articles of Association: <u>A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.</u>		
	c.	The legal quorum required by the General Meeting to terminate the directors' appointments according to the Articles of Association: <u>3 shareholders holding at least 1/3 (one third) of the total voting rights in the Company.</u>		
	d.	The majority needed to amend these provisions in the Articles of Association: <u>A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.</u>		
8.		The Corporation has established a program for training new directors on the Corporation's business and the rules that apply to the corporation and directors, and also established a follow-up program for training serving directors that is tailored, inter alia, to each director's function in the corporation. If your answer is "Yes" - please indicate if the program was active during the reporting year: ☒ Yes ☐ No (please check the appropriate box).	✓	
9.	a.	The Corporation has a minimum number of directors in the Board of Directors who have accounting and financial expertise. If your answer is "Yes" - please indicate the minimum number set: <u>3.</u>	✓	
	b.	No. of directors who served in the corporation during the reporting year -		

⁹ Bonds companies are exempt from answering this section.

				Yes	No
			who have accounting and financial expertise: <u>8</u> . ¹⁰ Who have professional qualifications: <u>9</u> . In case of changes in the number of said directors during the reporting year, please provide the lowest number (except within a period of 60 days from the change date) of directors of any type who served during the reporting year.		
10.		a.	In each reporting year, the Board of Directors included members of both genders. If your answer is "No" - please indicate the period (number of days) in which the aforesaid was not met: _____. The question may be answered "Yes" if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have members of both genders serving as directors: _____.	✓	
		b.	Number of directors of each gender serving on the Board of Directors as of the questionnaire publication date: Male: <u>7</u> , female: <u>2</u> .	_____	_____

¹⁰ Following the Board of Directors' assessment, in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005.

BOARD OF DIRECTORS MEETINGS (AND CONVENING OF THE GENERAL MEETING)

				Yes	No
11.		a.	Number of board meetings held during each quarter in the reporting year: First quarter (2022): <u>5</u>. Second quarter: <u>4</u>. Third quarter: <u>5</u>. Fourth quarter: <u>6</u>.	_____	_____
		b.	Next to each of the names of the directors who served in the Corporation during the reporting year, please indicate the proportion¹¹ of board meetings in which he/she participated (in this Subsection - including meetings of Board of Directors' committees in which he/she is a member, and as indicated below), which took place during the reporting year (during his/her tenure period): (Please add lines according to the number of directors).	_____	_____

¹¹ Please see Footnote 2.

Director's name	Proportion of the director's participation in board meetings	Proportion of the director's participation in meetings of the Audit Committee . ¹²	Rate of participation in meetings of the Financial Statements Review Committee ¹³	Rate of participation in meetings of the Compensation Committee . ¹⁴	Proportion of the director's participation in meetings of additional board committees in which he/she is not a member (please indicate which committee)
Benjamin Gabbay	20/20 (100%)	-	-	-	ESG Committee 5/5 (100%)
Richard Kaplan	20/20 (100%)	13/13 (100%)	17/17 (100%)	7/8 (87.5%)	-
Marilyn Hirsch ¹⁵	10/10 (100%)	-	9/10 (90%)	-	Strategy Committee - 3/3 (100%)
Ben Langworthy	20/20 (100%)	-	-	-	-
Dr. Ehud Shapira	20/20 (100%)	13/13 (100%)	17/17 (100%)	8/8 (100%)	Strategy Committee - 7/7 (100%)
Zhak Cohen	16/20 (80%)	-	-	-	-
Roger Abravanel	18/20 (90%)	-	-		Strategy Committee - 7/7 (100%) ESG Committee 5/5 (100%)
Rachel Levine	19/20 (95%)	13/13 (100%)	17/17 (100%)	7/8 (87.5%)	
Eliezer Yones	18/20 (90%)	-	-	-	Strategy Committee - 7/7 (100%)

¹² For a director who is a member of this committee.

¹³ For a director who is a member of this committee.

¹⁴ For a director who is a member of this committee.

¹⁵ The figures are in accordance with the number of meetings held until the end of her term in August 2022.¹⁵

Director's name	Proportion of the director's participation in board meetings	Proportion of the director's participation in meetings of the Audit Committee . ¹²	Rate of participation in meetings of the Financial Statements Review Committee ¹³	Rate of participation in meetings of the Compensation Committee . ¹⁴	Proportion of the director's participation in meetings of additional board committees in which he/she is not a member (please indicate which committee)
Stella Cohen ¹⁶	8/8 (100%)		3/3 (100%)		Strategy Committee - 3/3 (100%) ESG Committee - 1/1 (100%)

12.		During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the chief executive officer and the officers reporting thereto without their presence and allowed them to express their positions.		✓

¹⁶ The figures are in accordance with the number of meetings held from the commencement of her term in August 2022 / from her appointment as a member of the committee.

SEPARATION BETWEEN THE POSITIONS OF CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

		Yes	No
13.	In each reporting year, there was a chairman of the board of directors in place. The question may be answered "Yes" if the period during which the corporation had no chairman of the board of directors in place did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chairman of the board of directors in place as aforesaid:	✓	
14.	In each reporting year, there was a chief executive officer in place. The question may be answered "Yes" if the period during which the corporation had no chief executive officer in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chief executive officer in place as aforesaid:	✓	
15.	In a corporation in which the chairman of the board of directors also serves as the corporation's chief executive officer and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law. ¹⁷ ☒ N/A (insofar as there is no dual position as aforesaid in the corporation).		
16.	The chief executive officer is not a relative of the chairman of the Board of Directors. If your answer is "No" (i.e., the chief executive officer is a relative of the chairman of the Board of Directors) -	✓	
	a. Please indicate the nature of the family relationship between the parties: _____.	_____	_____
	b. The position was approved in accordance with Section 121(c) of the Companies Law: ¹⁸ ☐ Yes ☐ No (Please check the appropriate box).	_____	_____
17.	A controlling shareholder or his/her relative does not serve as the chief executive officer or senior officer in the corporation, excluding as a director. ☒ N/A (the Corporation has no controlling shareholder).	✓	

¹⁷ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

¹⁸ In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

AUDIT COMMITTEE

		Yes	No
18.	During the reporting year, the following <u>did not serve</u> as a member of the Audit Committee -	_____	_____
	a. The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).	✓	
	b. The Chairman of the Board.	✓	
	c. A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	
	d. A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
	e. A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).	✓	
19.	A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law.	✓	
20.	A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee which took place during the reporting year was a majority of the committee members, with most of the participants being independent directors and at least one - an external director. If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: _____.	✓	
21.	During the reporting year, the Audit Committee held at least one meeting in which the internal auditor and independent auditor were present but in which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management.	✓	
22.	In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the chairman of the Committee and/or he/she was invited by the Committee (as for the Chief Legal Adviser and the corporation's secretary other than a controlling shareholder or his/her relative).	✓	
23.	During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the managing the corporation's business and the protection provided to employees filing complaints as aforesaid.	✓	
24.	The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the independent auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the audit and review work in an appropriate manner.	✓	

THE PURVIEW OF THE FINANCIAL STATEMENT REVIEW COMMITTEE (HEREINAFTER - THE "COMMITTEE") IN ITS WORK PRIOR TO APPROVING THE FINANCIAL STATEMENTS

			Yes	No
25.	a.	Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee's recommendations towards discussion by the Board of Directors for approval of the financial statements: <u>Quarterly Report: 2 days. Annual report: 3 days.</u>	_____	_____
	b.	The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of discussion of the financial statements towards their approval by the Board: First quarter report <u>4.</u> Second quarter report: <u>2.</u> Third quarter report: <u>2.</u> Annual Report (2022): 2.¹⁹: <u>2.</u>	_____	_____
	c.	The number of days which elapsed from the date of submitting the financial statements' draft to the directors to the date of the financial statements' discussion towards their approval by the Board: First quarter report: <u>4.</u> Second quarter report: <u>6.</u> Third quarter report: <u>6.</u> Annual Report (2022): <u>6.</u>		

¹⁹ Ahead of the approval of the annual financial statements, the Committee for the Approval of Financial Statements held 3 meetings: on March 16, 2023, March 19, 2023, and March 20, 2023. The Board of Directors approved the financial statements on March 22, 2023.

		Yes	No
26.	The corporation's independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation's financial statements relating to the periods included in the reporting year were discussed. If your answer is "No", specify the rate of participation: _____	✓	
27.	During the entire reporting year and until the publication of the annual report, the Committee met all of the terms and conditions outlined below:	_____	_____
	a. It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid).	✓	
	b. All the terms and conditions outlined in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members).	✓	
	c. The chairman of the Committee is an external director.	✓	
	d. All of its members are directors and most of them are independent directors.	✓	
	e. All of its members have the capacity to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	f. The members of the Committee gave a statement prior to their appointment.	✓	
	g. The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one external director.	✓	
	If your answer is "No" on one or more of this question's subsections, please indicate what type of report (annual or quarterly) did not meet the said condition and which condition was not met:	_____	_____

COMPENSATION COMMITTEE

			Yes	No
28.		During the reporting year, the Committee included at least three members, of which the external directors constituted a majority (on the date of discussion by the Committee). ☐ N/A (no discussion was held).	✓	
29.		During the reporting year, the terms of tenure and employment of all members of the Remuneration Committee met the Companies Regulations (Rules on Remuneration and Expenses for an Outside Director), 2000.	✓	
30.		During the reporting year, the following did not serve as a member of the Remuneration Committee -	_____	_____
	a.	The controlling shareholder or his/her relative. ☐ N/A (the Corporation has no controlling shareholder).	✓	
	b.	The Chairman of the Board.	✓	
	c.	A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control.	✓	
	d.	A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis.	✓	
	e.	A director whose main source of income is the controlling shareholder. ☐ N/A (the Corporation has no controlling shareholder).	✓	
31.		During the reporting year, the controlling shareholder or his/her relative did not participate in meetings of the Compensation Committee, unless the chairman of the board determined that one of them was required to participate in order to present a specific topic.	✓	
32.		The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(C), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite objection by the General Meeting. If your answer is "No", please specify - The type of transaction approved as aforesaid: _____ The number of times in which their power was used during the reporting year: _____	✓	

INTERNAL AUDITOR

		Yes	No
33.	The corporation's internal auditor reports to the corporation's chairman of the board or chief executive officer.	✓	
34.	The chairman of the board or audit committee have approved the work plan during the reporting year. In addition, specify the audit topics that the Chief Internal Auditor dealt with in the reporting year: _____ (check the appropriate box).	✓	
35.	The scope of the internal auditor's position in the corporation during the reporting year (in hours ²⁰): 29,220	_____	_____
	During the reporting year, a discussion was held (by the Audit Committee or Board of Directors) about the internal auditor's findings.	✓	
36.	The internal auditor is not an interested party in the corporation, a relative thereof, an independent auditor or anyone on his/her behalf and therefore has no material business relations with the corporation, its controlling shareholder, his/her relative or corporations under their control.	✓	

²⁰ Including the no. of working hours dedicated to investees and audits held outside Israel, if any.

TRANSACTIONS WITH INTERESTED PARTIES

		True	No
37.	The controlling shareholder or his/her relative (including a company under his/her control) is not employed by the corporation or provides it with management services. If your answer is "No" (i.e., the controlling shareholder or his/her relative is employed by the corporation or provides it with management services, please specify - - The number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): ____. - Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law: ☐ Yes ☐ No (Please check the appropriate box). ☒ N/A (the Corporation has no controlling shareholder) ____.	✓	
38.	To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's line of business (one or more lines). If your answer is "No - please indicate whether there is an arrangement in place to separate between the activities of the corporation and its controlling shareholder: ☐ Yes ☐ No (Check the appropriate box) ☒) n/a (the corporation has no controlling shareholder).	✓ ²¹	

²¹ The answer is for the State of Israel.

**Chairperson of the Board of Directors:
Benjamin Gabbay**

**Chairperson of the Audit Committee:
Dr. Ehud Shapira**

**Chairperson of the Committee for Review of
the Financial Statements: Rachel Levin**

Part 6

Report and Statements regarding the Internal Controls over Financial Reporting and Disclosure

Annual Report on Effectiveness of Control over Financial Reporting and Disclosure in accordance with Regulation 9B(a)

Management, under the supervision of the Board of Directors of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

For this matter, the members of management are as follows:

1. Eyal Ben Simon, CEO of the Company and The Phoenix Insurance.
2. Eli Schwartz, EVP, CFO of the Company and The Phoenix Insurance.
3. Haggai Schreiber, EVP, Chief Investment Manager, CEO The Phoenix Investments Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel and Corporate Secretary of the Company and The Phoenix Insurance.
5. Michal Leshem, EVP, Chief Internal Auditor of the Company and The Phoenix Insurance.
6. David Alexander, EVP, Head of Business Development of the Company and The Phoenix Insurance.
7. Eilon Dachbash, EVP, Head of Retail Credit of the Company.
8. Amit Netanel, EVP, Chief Risk Officer of the Company and The Phoenix Insurance.

The internal control over financial reporting and disclosure consists of the Corporation's existing controls and procedures that have been planned by the chief executive officer and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Corporation's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and ensure that all information that the Company is required to disclose in the financial statements its publishes pursuant to law is collected, processed, summated and reported in a timely manner and according to the format prescribed by law.

Among other things, internal controls include controls and procedures planned to ensure that all information that the Corporation is required to disclose as aforesaid is collected and transferred to the Corporation's management, including the chief executive officer and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements shall be prevented or detected.

Management, under the supervision of the Corporation's Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness; the assessment of the effectiveness of internal control over financial reporting and disclosure as performed by management under the supervision of the Board of Directors included the following:

Entity-level controls, controls on the process for compiling and closing the financial statements, general information technology controls (ITGC), and controls over processes which are highly material to financial reporting and disclosure (these processes are carried out within The Phoenix Insurance Company Ltd. and

its subsidiaries, The Phoenix Pension and Provident Fund Ltd. - which are institutional entities to which the following provisions relating to institutional entities apply):

The Phoenix Insurance Ltd. and The Phoenix Pension and Provident Fund Ltd., subsidiaries of the Corporation, are institutional entities which are subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.

Regarding the said subsidiary, management - under the supervision of the Board of Directors - examined and assessed the internal control over financial reporting and the effectiveness thereof, based on Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Circular 2010-9-7, "Internal Control over Financial Reporting - Statements, Reports and Disclosures" and amendments to said circulars.

Based on this assessment, the corporations' boards of directors and managements have concluded that the institutional entity's internal control over financial reporting as of December 31, 2022 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as described above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2022 is effective.

Certification

Statement of the CEO

I, Eyal Ben Simon, hereby certify that:

- (1) I have reviewed periodic report of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for 2022 (hereinafter – the "Reports");
- (2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the financial statements and other financial information included in the Reports fairly represent, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (A) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (B) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (A) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (B) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (C) I have not been informed of any event or matter that occurred in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 22, 2023

Eyal Ben Simon, CEO

Certification

Statement of the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

- (1) I have reviewed the financial statements and other financial information included in the reports of The Phoenix Holdings Ltd. (hereinafter - the "Corporation") for 2022 (hereinafter - the "Reports" or "Interim Reports");
- (2) To my knowledge, the financial statements and other financial information included in the Interim Reports do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Board of Directors' audit committee, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (A) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -
 - (B) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (A) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (B) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
 - (C) My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date. My conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 22, 2023

Eli Schwartz, EVP, CFO

Part 7

Appendices regarding to The Phoenix Insurance Company Ltd.

The Phoenix Insurance Company Ltd. Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the annual report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the year 2022 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
 - (A) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
 - (B) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - (C) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
 - (D) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
 - (A) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
 - (B) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 22, 2023

Eyal Ben Simon, Chief Executive Officer

The Phoenix Insurance Company Ltd. Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the annual report of The Phoenix Insurance Company Ltd. (hereinafter - the "Company") for the year 2022 (hereinafter - the "Report").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, that is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting¹ of the Company; and
 - (A) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
 - (B) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
 - (C) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
 - (D) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
 - (A) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
 - (B) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 22, 2023

Eli Schwartz, Executive VP, Chief Financial Officer

¹As defined in the provisions of the institutional entities circular titled "Internal Controls over Financial Reporting - Statements, Reports and Disclosures".

Report of the Board of Directors and Management on Internal Controls over Financial Reporting

Management, under the supervision of the Board of Directors of The Phoenix Insurance Company Ltd. (hereinafter - the "**Company**"), is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control system of the Company was designed to provide reasonable assurance to its Board of Directors and management with regard to the adequate preparation and presentation of financial statements published in accordance with International Financial Reporting Standards (IFRSs) and the directives of the Commissioner of the Capital Market, Insurance and Savings. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31 2022, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31 2022, the Company's internal controls over financial reporting is effective.

Chairman of the Board of Directors: **Benjamin**

Gabbay

Chief Executive Officer:

Eyal Ben

Simon

Deputy CEO, Chief Financial

Eli Schwartz

Officer:

Date of report's approval: March 22, 2023

Actuary's Statement - Life Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for life insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31, 2022, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of the Insurer since February 2019. I was appointed Supervising Actuary of the life insurance subsegment in December 2019.

Chapter B - Scope of the Actuarial Opinion

1. Scope of the Actuarial Opinion

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision calculated in respect of the ceded businesses is based on a calculation carried out by another actuary.
 - 2) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.

2. Data included in the section on the scope of the actuarial opinion

- A. The amounts of the provisions (gross and retention) are listed in the appendixes below:
 - 1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve) -
Reserve for Unpaid Losses (Incurred but Unpaid Claims) and Unpaid Allocated and Unallocated Loss Adjustment Expenses (including IBNR)

- 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - A) Reserve for plan with accrual;
 - B) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;
 - 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: permanent health insurance and income protection).
 - 4) Supplement stemming from liability adequacy testing (LAT) - after examining the data, I concluded that a supplement is not required.
 - 5) Other - additional provisions in accordance with the Commissioner's directives, such as: supplementing the reserve for policies with a guaranteed annuity conversion factor in accordance with Commissioner Circular 2013-1-2 (supplemental annuity reserve).
- B. The effect of the below listed changes on the amounts of the provisions (gross and retention):
- 1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.
 - 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a NIS 111 million decrease in reserves in the life insurance subsegment.

Chapter C - The Opinion

I hereby state and confirm that in the life insurance subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Commissioner's directives and guidance;
 - C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
2. Exposure to future developments and changes.
Changes and developments may occur in the environment in which the Israeli life insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in

social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.

3. Statistical and actuarial uncertainty

The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company or reinsurers' past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's business environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4. Consistency between data in the appendices and financial statements data:

The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5. Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

- A. During the reporting year, the discount rate changed, which triggered a NIS 560 million decrease in life insurance reserves.
- B. During the reporting year, the Company updated its mortality rates as from the date of commencement of the annuity payment and the model with respect to future mortality improvements, following the publication - on June 30, 2022 - of Insurance Circular 2022-9-18 regarding "Amendment of the Consolidated Circular on Measurement of Liabilities - Update of the Life Insurance Demographic Assumptions and for Pension Funds." As a result of the implementation of the circular, there has been a NIS 364 million increase in reserves.
- C. During the reporting year, the Company updated the annuity and pension uptake rates, following the implementation of a study estimating the retirement age distribution and uptake rates across multiple age groups. Following the implementation of the study, there was a NIS 462 million decrease in the reserves.
- D. In the reporting year, the Company revised other assumptions it uses when calculating the reserves. The total effect is a NIS 13 million decrease in reserves.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

March 22, 2023	Supervising Actuary - Life Insurance	Mark Rabaev	
Date	Title	Actuary's name	Signature

Form 12A - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: The Phoenix Insurance Company Ltd. as of December 31, 2022

(In NIS thousand)

			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Paid income protection	Long-term care		Other covers 1)
				Yield-dependent	Participating	Yield-dependent	Participating	Individual	Group		Individual	Group	
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Contingent claims		549,380	10,913	3,834	12,863	69,205	231,774	115,722	11,079			93,989
2	Reserve (total of lines 2a 1 to 6)		100,351,419	3,263,062	948,884	7,839,425	86,760,602	31,859	11,297	1,495,302			989
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990	8,125,521	2,150,842		5,864,274	105,188	159		5,019			38
		Policies issued between 1991 and 2003	30,610,975		822,629		29,687,572	4,769		95,920			85
		Policies issued after 2004	51,698,219		1,277		51,602,629	859		93,445			10
		Total (2a1 to 2a3)	90,434,716	2,150,842	823,906	5,864,274	81,395,389	5,788	0	194,383			133
2B	Policies without a savings component		297,555					8,823	11,297	276,579			856
3	Percentage of reserve for paid claims		7,749,626	877,590	108,627	1,555,637	4,166,185	17,248		1,024,339			
4	Participating												
5	Supplement resulting from liability adequacy test												
6	Other		1,869,523	234,629	16,351	419,514	1,199,028						
7	Extraordinary risk reserve												
(1) Other coverages, including: disabilities, double indemnity, etc.													
8A	Effect of adjusting provisions for new businesses												
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-111,358	-47,449	954	-85,385	20,522						
8B2		Changes in methods											
8B3		Differences in premium rates											
8B4		Other changes											

Date:

March 22, 2023

Title:

Supervising Actuary - Life Insurance

Actuary's name:

Mark Rabaev

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention
Company: The Phoenix Insurance Company Ltd. as of December 31, 2022
(In NIS thousand)

			Total	Savings and mortality risk (classic, traditional)		Pure savings or the savings component in policies (Preferred, Track)		Pure mortality risk or mortality risk component in policy		Paid income protection	Long-term care		Other covers
				Yield-dependent	Participating	Yield-dependent	Participating	Individual	Group		Individual	Group	1)
				1A	1B	2A	2B	3A	3B	4	5A	5B	6
1	Contingent claims		539,092	10,834	3,754	12,846	68,264	231,383	113,757	11,079			87,175
2	Reserve (total of lines 2a 1 to 6)		100,063,075	3,261,712	948,815	7,839,284	86,758,871	20,920	11,297	1,221,189			989
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990	8,124,726	2,150,842		5,864,274	105,188	159		4,224			38
		Policies issued between 1991 and 2003	30,594,924		822,559		29,687,572	4,760		79,947			85
		Policies issued after 2004	51,669,999		1,277		51,602,629	859		65,224			10
2A2		Total (2a1 to 2a3)	90,389,648	2,150,842	823,836	5,864,274	81,395,389	5,779	0	149,394			133
2B	Policies without a savings component		247,813					8,814	11,297	226,846			856
3	Percentage of reserve for paid claims		7,556,091	876,240	108,627	1,555,496	4,164,453	6,327		844,948			
4	Participating												
5	Supplement resulting from liability adequacy test												
6	Other		1,869,523	234,629	16,351	419,514	1,199,028						
7	Extraordinary risk reserve												
(1) Other coverages, including: disabilities, double indemnity, etc.													
8A	Effect of adjusting provisions for new businesses												
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-111,358	-47,449	954	-85,385	20,522						
8B2		Changes in methods											
8B3		Differences in premium rates											
8B4		Other changes											

Date:

March 22, 2023

Title:

Supervising Actuary - Life Insurance

Actuary's name:

Mark Rabaev

Appendix A - Statement of the Health Insurance Actuary

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for health insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31, 2022, as described below.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary - Health Insurance on April 6, 2020.

Chapter B - Scope of the Actuarial Opinion

1 . Scope of the Actuarial Opinion

- A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.
- B. Where necessary, my examination also relied on data received from reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidance and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The Insurer has no ceded businesses in the segments which are the subject matter of this statement.
 - 2) The Insurer does not have joint insurance in which the Insurer is not the lead insurer in the segments which are the subject matter of this statement.

2 . Data included in the paragraph on the scope of the actuarial opinion

- A. The provision amount is detailed in the table below; all data are in thousands of shekels.

Type of provision	Businesses reporting in the health insurance segment			
	Individual policies		Group policies	
	Gross	Retention	Gross	Retention
Contingent claims	365,807	322,021	265,774	249,216

Type of provision	Businesses reporting in the health insurance segment			
	Individual policies		Group policies	
	Gross	Retention	Gross	Retention
Indirect expenses	12,483	12,483	7,987	7,987
Insurance contracts T&C	681,537	493,591	11,832	11,832
Total	1,059,827	828,095	285,594	269,035

* The data do not include an unearned premium of NIS 69,273 thousand - gross and NIS 69,238 thousand - retention.

** The data do not include a provision for participating policies in the health insurance business in the amount of NIS 7,634 thousand.

*** The data include short-term provisions for the personal accident subsegment calculated by the Supervising Actuary of Property and Casualty Insurance, Ms. Anna Nahum.

B. The effect of the below listed changes on the provisions -

- 1) For individual policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – was NIS 22,012 thousand - gross and NIS 21,759 thousand - retention.
- 2) For individual policies which entered into force prior to the most recent annual financial statements - the provision was reduced following an update of the assumption regarding morbidity, cancellations and expenses. The amount of the reduction is NIS 22,389 thousand - gross and NIS 8,459 thousand - retention.
- 3) For individual policies which entered into force prior to the most recent annual financial statements - the provision was increased following improvement of the actuarial models' data. The amount of the increase is NIS 22,947 thousand - gross and NIS 9,785 thousand - retention.

Chapter C - The Opinion

I hereby state and confirm that for the following health insurance subsegments: medical expenses, foreign workers, critical illness, personal accidents, sick leave, travel and dental:

1. I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidance and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981;
 - B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
 - C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.

- 4 . To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1 . Regarding the provisions for the short-term personal accident subsegments included in this statement, I relied on the work of the Property and Casualty Insurance Actuary - Ms. Anna Nahum - who reported the results, which I have checked solely for reasonableness.
- 2 . In any future calculation process related to both premiums and claims, there are statistical and other uncertainties. These uncertainties arise from possible changes in constitutional, legal, demographic or economic matters. I have relied on past experience and accepted actuarial methods and estimates; however, there is no guarantee that the real results will be similar to the forecast.
- 3 . During the reporting period, the following changes took place in the provisions listed in Chapter B above:
 - Revision of the morbidity assumption in the medical expenses subsegments for several key products. As a result, the reserve increased by NIS 50,754 thousand - gross and by NIS 37,997 thousand - retention.
 - Revision of the cancellation rates in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve increased by NIS 25,726 thousand - gross and by NIS 25,026 thousand - retention.
 - Revision of the expenses in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve decreased by NIS 98,869 thousand - gross and by NIS 71,482 thousand - retention.
 - Improvement of the data of the actuarial model in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve increased by NIS 22,947 thousand - gross and by NIS 9,785 thousand - retention.

March 22, 2023	Health Insurance Actuary	Luba Sharapov	
Date	Title	Actuary's name	Signature

Actuary's Statement - Long-Term Care Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer") to examine the provisions for long-term care insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "Provisions") as of December 31, 2022, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of The Phoenix Group since May 2014 and was appointed Supervising Actuary on April 6, 2020.

Chapter B - Scope of the Actuarial Opinion

1 . Scope of the Actuarial Opinion

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision for incoming business - the Company does not have incoming business in long-term care insurance.
 - 2) The provision in respect of joint insurance in which the Company does not serve as the lead insurer - the Company does not have joint long-term care insurance.

2 . Data included in the section on the scope of the actuarial opinion

- A. The amounts of the provisions (gross and retention) are listed in the appendixes below:
 - 1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve).
 - 2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -
 - A) Reserve for plan with accrual;

- B) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;
 - 3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection).
 - 4) Supplement resulting from the Liability Adequacy Test (long-term care LAT) - after the LAT, I came to the conclusion that a provision is needed to supplement the reserve. The provision was recorded in the Company's financial statements.
 - 5) Other - additional provisions according to the Commissioner's directives.
- B. The effect of the below listed changes on the amounts of the provisions (gross and retention):
- 1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.
 - 2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a NIS 26 million gross decrease in reserves and NIS 29 million in the long-term care subsegment - retention.

Chapter C - The Opinion

I hereby state and confirm that in the long-term care subsegment:

- 1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
 - A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Commissioner's directives and guidance;
 - C. Generally accepted actuarial principles.
- 2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
- 3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
- 4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

Chapter D - Comments and Clarifications

- 1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
- 2. Exposure to future developments and changes:
Changes and developments may occur in the environment in which the Israeli long-term care industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
- 3. Statistical and actuarial uncertainty:
The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality rates, morbidity rates, and cancellation rates, which reflect the Company or reinsurers' past

experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company's current business environment, and in accordance with my assessment of the development of the Company's business environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4. Consistency between data in the appendices and financial statements data:

The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5. Material changes in actuarial assumptions and methods:

The following changes took place in the reporting period:

- A change in the discount rates used in calculating the reserves resulted in a decrease in the long-term care insurance reserves by NIS 919 million - retention.
- A revision of the expenses assumption resulted in a decrease in long-term care insurance reserves in the amount of NIS 13 million - retention.
- A revision of the cancellations assumption resulted in a decrease in long-term care insurance reserves in the amount of NIS 16 million - retention.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

**March 22,
2023**

Supervising actuary

Luba Sharapov

Date

Title

Actuary's name

Signature

Form 12A - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: The Phoenix Insurance Company Ltd. as of December 31, 2022

(In NIS thousand)

			Total	Long-term care		Other covers 1) 6
				Individual	Group	
						5A
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		9,186,060	2,129,950	7,056,110	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2a1 to 2a3)	0	0	0	
2B	Policies without a savings component		7,068,550	1,583,375	5,485,175	
3	Percentage of reserve for paid claims		1,862,854	320,406	1,542,448	
4	Participating					
5	Supplement resulting from liability adequacy test		254,656	226,169	28,487	
6	Other		0	0	0	
7	Extraordinary risk reserve					

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-26,040	-40,056	14,016	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes				

Date:	March 22, 2023	Title:	Supervising actuary	Actuary's name:	Luba Sharapov

Form 12B - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

Company: The Phoenix Insurance Company Ltd. as of December 31, 2022

(In NIS thousand)

			Total	Long-term care		Other covers 1)
				Individual	Group	
				5A	5B	6
1	Contingent claims		0	0	0	
2	Reserve (total of lines 2a 1 to 6)		8,876,035	2,054,076	6,821,959	
2A1	Policies which include a savings component (including appendices) by policy issuance date:	Policies issued until 1990				
2A2		Policies issued between 1991 and 2003				
2A3		Policies issued after 2004				
2A4		Total (2a1 to 2a3)				
2B	Policies without a savings component		7,019,343	1,570,470	5,448,873	
3	Percentage of reserve for paid claims		1,602,036	257,437	1,344,599	
4	Participating		0	0	0	
5	Supplement resulting from liability adequacy test		254,656	226,169	28,487	
6	Other					
7	Extraordinary risk reserve					

(1) Other coverages, including: disabilities, double indemnity, etc.

8A	Effect of adjusting provisions for new businesses					
8B1	Effect of adjusting provisions for existing businesses	Changes in assumptions	-29,120	-40,056	10,936	
8B2		Changes in methods				
8B3		Differences in premium rates				
8B4		Other changes				

Date:	March 22, 2023	Title:	Supervising actuary	Actuary's name:	Luba Sharapov

Chapter A - Actuary's Statement - Property and Casualty Insurance

Chapter A - Actuary's Identity

I have been asked by The Phoenix Insurance Company Ltd. (hereinafter - the "Insurer" or "The Phoenix") to examine the provisions listed in Chapter B below in the property and casualty insurance subsegments for the Insurer's financial statements (hereinafter - the "Provisions") as of December 31, 2022, as described below.

I have been working as a salaried employee of The Phoenix - in the position of property and casualty insurance actuary - since July 10, 2013.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

Chapter B - Scope of the Actuarial Opinion

1. Wording of the scope of the actuarial opinion paragraph

- A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.
- B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.
- C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed in Section 2 below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.
- D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.
- E. The following matters were also taken into account in my opinion:
 - 1) The provision calculated in respect of the residual insurance arrangement (the "Pool") is based on a calculation carried out by the Pool.
 - 2) No actuarial reserve was calculated in respect of ceded businesses as defined in the Supervision of Insurance Business Regulations (Method of Calculation of Reserves for Future Claims in Property and Casualty Insurance), 1984.
 - 3) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.
 - 4) I did not take into account the lack of correlation between the various subsegments for the purpose of writing down the total provision in respect of contingent claims for all subsegments included in my assessment. It should be noted that, in our assessment of the best practices, we have taken into account the lack of correlation between the various subsegments. This was done in accordance with Section 3(c) of the Commissioner's position - Best Practice for Calculation of Reserves in Property and Casualty Insurance.

2. Data included in the paragraph on the scope of the actuarial opinion

Set forth below is a breakdown of the required provisions (in NIS thousand):

		The data are linked to the known index as of December 31, 2022	
		Gross	Retention
<u>Contingent claims</u>			
2.A.1)	Compulsory motor insurance	2,602,591	1,536,938
	Third-party	979,911	707,381
	Employers	442,717	381,380
	Professional liability	453,624	240,434
	Product liability	73,236	49,891
	Motor property	354,049	353,979
	Comprehensive business	67,910	27,427
	Comprehensive home	52,618	9,787
	Total non-aggregated subsegments	5,026,656	3,307,217
	Aggregated subsegments ²	152,132	16,540
	Total non-aggregated and aggregated subsegments¹	5,178,788	3,323,757
2.A.2)	Indirect expenses in respect of all of the Company's property and casualty subsegments	220,647	220,647
2.A.3)	<u>Provision for the difference between the reserve for outstanding risks and the unearned premium at the retention level</u>		
	Compulsory motor insurance	0	0
	Motor property	52,291	52,291
	Home	0	0
	Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment	5,451,726	3,596,694

¹ In view of the calculation method employed for the liability subsegments, the reserve to contingent claims also includes a provision for premium deficiency, if any.

² Aggregated subsegments - loss of property, mortgage banks, engineering and goods in consignment insurance.

Chapter C - The Opinion

I hereby declare and confirm that in the following subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

- A. Insurance pursuant to the Motor Insurance Ordinance [New Version], 1970 (Section 1(a)(9))
- B. Third-party liability insurance (Section 1(a)(14))
- C. Employers' liability insurance (Section 1(a)(7))
- D. Professional liability insurance (Section 1(a)(14))
- E. Product liability insurance (Section 1(a)(22))
- F. Motor insurance - property (Section 1(a)(9))
- G. Comprehensive business insurance (Section 1(a)(12)),
- H. Agricultural insurance, excluding natural hazards insurance in agriculture (Section 1(a)(17))
- I. Comprehensive home insurance, including mortgage banks (Section 1(a)(12))
- J. Loss of property insurance (Section 1(a)(15))
- K. Engineering insurance (Section 1(a)(18))

1. I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:

- A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
 - B. The Commissioner's directives and guidelines;
 - C. The Commissioner's position on calculation of reserves in property and casualty insurance
 - D. Generally accepted actuarial principles
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my assessment.
 3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidelines and principles specified above.
 4. To the best of my knowledge, the provisions listed in Chapter B, Section 2.a.1)(a) in respect of the non-aggregated subsegments (compulsory motor, third party, employers' liability, professional liability, product liability, motor property, comprehensive businesses and home) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims defined above, for each separately-listed subsegment, in effect as of the financial statements date.
 5. To the best of my knowledge, the total amount of the provisions specified in Chapter B, Section 2.a.1) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims, in all aggregated and non-aggregated subsegments, in effect as of the financial statements date.
 6. To the best of my knowledge, the provision specified in Chapter B, Section 2.a.2) forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses to settle the claims, in effect as of the financial statements date.
 7. To the best of my knowledge, the provisions specified in Chapter B, Section 2.a.3) form an adequate reserve for covering the Insurer's liabilities in respect of any difference between the unexpired risk reserve and the unearned premium (retention), in effect as of the financial statements date.

Chapter D - Comments and Clarifications

1. The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. Therefore, even if the claims' distribution remains unchanged, the final cost of the claims may differ from the actuarial assessment. Furthermore, unpredictable changes may occur in connection with risks, environmental factors, case law and precedents. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.
2. When calculating the reserves, we have taken into account the variance of claim payments' development (which is inevitable) as well as the projected payment period (for discounting purposes). The calculation methods and material assumptions are identical to those used in calculations in the previous year.
3. In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the life expectancy component shall be based on schedules published by the Central Bureau of Statistics; the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The

interest rate according to the regulations is 2% (instead of the previous rate 3%). The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured Policyholders, and an appeal was filed to the Supreme Court on that matter (Civil Appeal 3571/17 Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide on this issue. On August 8 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "Judgment"). In addition, the Judgment states that until a legislative amendments are made, the discount interest rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the subrogation claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

4. In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute and the insurance companies regarding road accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date, if any, is January 1, 2019.

In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1 2014 and December 31 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

The Economic Efficiency Law (Legislative Amendments for the Implementation of the Budgetary Targets for Budget Years 2021 and 2022), 2021: Chapter F (Part B): Regulation of a Netting Mechanism Due to Road Accidents between the National Insurance Institute and the Insurance Companies, was published in November 2021. The said agreements regarding the future netting with the National Insurance Institute were enshrined in the said law.

5. As from its 2015 financial statements, and in line with the Commissioner's directives, The Phoenix adopted the Commissioner's Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes. Under the position, an "adequate reserve to cover the insurer's liabilities" was calculated, which signifies that it is fairly likely that the insurance liability set will be sufficient to cover the Insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the position requires that the estimate of "fairly likely" shall mean a probability of at least 75%.

The assessment process including establishing both the random risk and the systemic risk. The assessment of the random risk was made using generally accepted stochastic methods and models. On the other hand, systemic risks do not have a clear statistical structure, and therefore, we recognize that analysis of historical data alone cannot capture future uncertainty; thus, the actuary is required to exercise professional judgment. If the reserve meets the "fairly likely" criterion, the assessments remain unchanged; if the reserve does not meet the said criterion, we would have been required to supplement the reserve.

The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. Furthermore, in this valuation we have taken into account the effect of non-marketable assets against the liabilities.

Since a valuation based on best practice is a relatively new method, it should be noted that the model's results may change in the future, based on developments and experience gained.

6. A provision in respect of agricultural insurance, excluding natural hazards insurance, is included in the business subsegment. In the following subsegments: aircraft and marine vessel insurance, including third-party liability insurance, Sale Law guarantees, ceded businesses, other risks and marine freight insurance, no actuarial valuation was carried out in respect of contingent claims due to lack of statistical significance. Total contingent claims in these subsegments constitutes approx. 1.45% of the reserve for contingent claims (retention).

March 22, 2023	Actuary for Property and Casualty Insurance	Anna Nahum	
Date	Title	Actuary's name	Signature